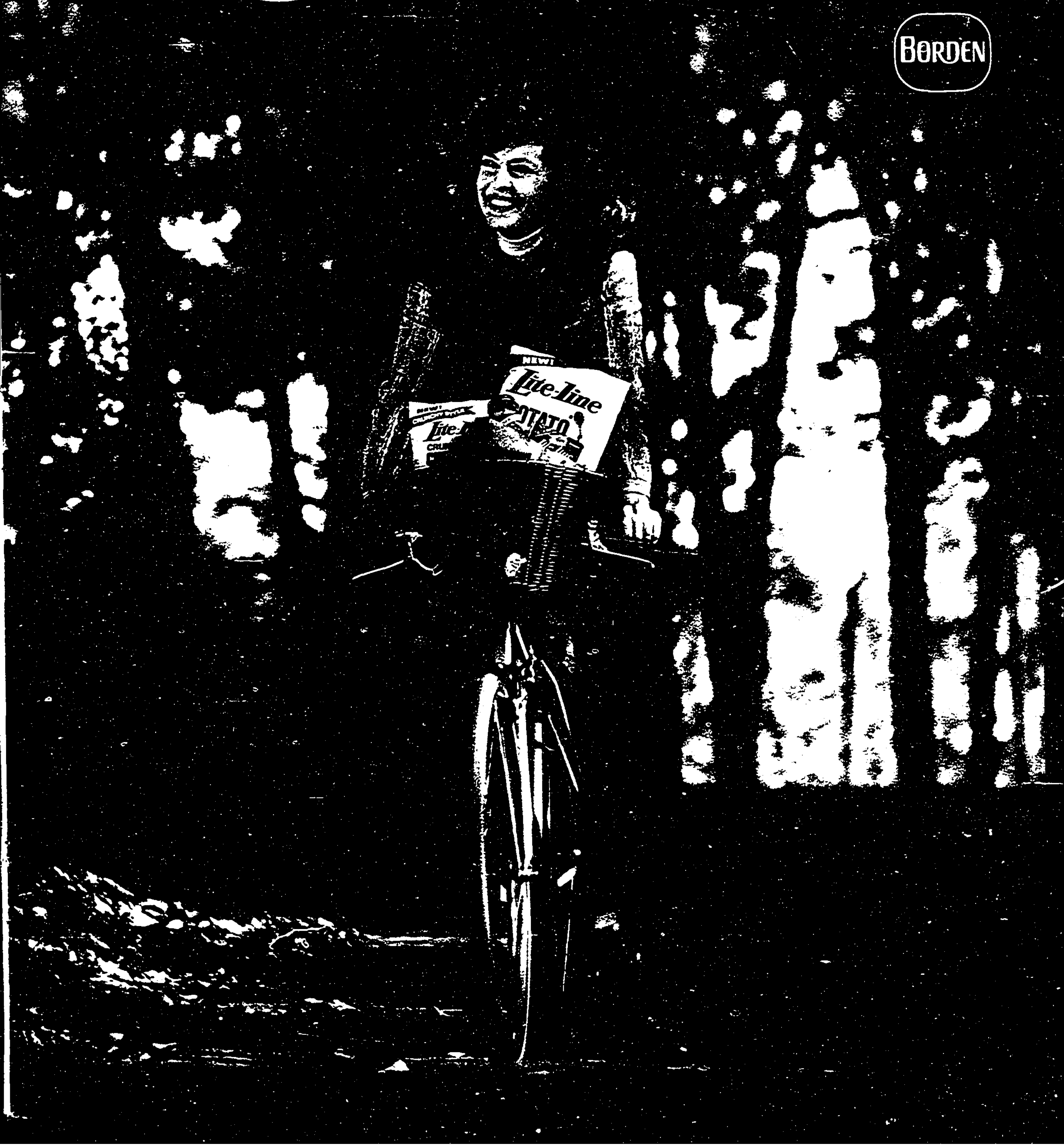
1983 ANNUAL REPORT

BORDEN



(In thousands except per share and percentage amounts)

	December 31 1983	1982	Percent Change
Operating Results (for the year)			
Net sales	**$4,264,771**	$4,111,277	+ 3.7
Income taxes	**144,000**	89,000	+61.8
Net income	**189,069***	165,855**	+14.0
Net income per common share and equivalent:			
Primary	**6.56**	5.81	+12.9
Fully diluted	**6.50**	5.62	+15.7
Dividends:			
Common share	**2.38½**	2.17¾	+ 9.5
Preferred series B share	**1.32**	1.32	
Total dividends	**68,680**	62,068	+10.7
Capital expenditures	**184,914**	240,104	−23.0
Financial Position (at year-end)			
Working capital	**$ 453,868**	$ 477,955	− 5.0
Current ratio	**1.7:1**	1.8:1	
Long-term debt-to-equity percent	**27%**	32%	
Shareholders' equity	**1,391,039**	1,341,333	+ 3.7
Equity per common share	**49.64**	46.99	+ 5.6
Common shares outstanding	**28,008**	28,531	− 1.8
Return on average shareholders' equity	**13.8%**	12.6%	

*Includes a net after-tax gain of $28.7 million or $1.00 per share (primary), $0.99 per share (fully diluted), primarily from a disputed contract settlement and the sale of property.

**Includes a net after-tax gain of $28.0 million or $0.98 per share (primary), $0.94 per share (fully diluted), from the sale of assets.

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1983 Financial Review:

Message to Shareholders and Employees

The long awaited, and long delayed, economic recovery finally arrived in 1983. With it, the plans that we had laid down three years earlier for the Company's expansion in the 80s came into place. Stripped of unwanted operations and equipped by major capital investment and acquisition programs, Borden was ready to share in the recovery. Earnings increased by almost twice the average growth rate of the 70s, to by far the highest level in the Company's history.

The improvement was especially satisfying for having come on top of a record year in 1982, a year in which 311 of the Fortune 500 companies had declines in earnings, 58 of them to loss positions.

Sharing most in the recovery was our Chemical Division, which tripled its income from a severely depressed level a year earlier. Since 1980, we have been rebuilding our chemical facilities, increasing their number, capacity and efficiency in anticipation of a surge in demand for their products. The rebuilding ran contrary to the usual practice in industry, which is to cut back during a downturn. Had we not made the investment, however, we would have been unable to meet demand. As it was, several of our chemical plants operated at as much as 20% over design capacity.

Our Consumer Products Division had its best year ever, reaping the benefits of major structural changes carried out over the past three years: withdrawal from low-margin businesses and those inconsistent with its future, the integration of selective acquisitions, and the

development of its business in branded specialties, notably snacks, pasta, key grocery products, and non-food items. This strategy enabled the division to withstand the severe damage to its dairy and cheese operations caused by the federal government's price-support and cheese programs. Although many factors are at work in the marketplace, we estimate that these programs lowered the division's income in 1983 by $11 million. Our withdrawal from the commodity cheese business in 1981 as part of our corporate development plan reduced the government's cheese program to a serious problem from what could have been a disaster.

Despite the vigorous economy in 1983, and our results, it was not an especially easy year. Nonetheless, our International Division's profits were only slightly lower, in spite of a generally weak recovery abroad, currency devaluations, inflation, the strong dollar, and the problems of the Brazilian economy. The decline in our foreign income relative to domestic income contributed to an 8-point rise in our effective annual tax rate, magnifying the effect on corporate earnings of the problems encountered by the International Division.

The asset-redeployment phase of our development program ended in 1982. Nonetheless, we continue to examine all our properties, giving particular attention to those whose return on present market value, as opposed to return on book value, cannot meet our standards. The discrepancy is most evident among older properties located in the downtown areas of major cities, where real estate values have soared. During the year, we had the opportunity to sell our Dallas, Texas, dairy property, a 50-year-old facility in the midst of a downtown area being developed by the Dallas Arts District. The sale contributed to a net after-tax gain of $11.7 million, or 41 cents per share. The plant will be replaced by a new plant at a more favorable location.

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The capital investments, acquisitions, stock repurchases, and debt reductions carried out under the development program have substantially strengthened the Company's operations and balance sheet. Together, they have brought us closer to our goals of a 15% return on shareholders' equity by 1985 and 18% by the end of the 80s. In 1983, our return on shareholders' equity, or ROSE, was 13.8%. The target numbers were set in 1980, and based on an expected inflation rate of 9% to 10% throughout the decade. Since the inflation rate has dropped to 3% to 4%, our 1983 ROSE is a more solid and significant number.

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As to the outlook for the Company in 1984, we see a continuation of most of the favorable factors that contributed to its performance in 1983. Additionally, we see far less impact from two significant negative factors that held down the improvement in 1983: the price-support and cheese programs, and the Latin American economy. As stated previously, if the economy continues at projected levels, we expect that our earnings per share on a fully diluted basis will increase over 15% from 1983.

★ ★ ★

Our active and retired employees and our shareholders and Board members were sources of strength and encouragement to management throughout the year. Our 32,600 employees around the world worked harder and more productively, and with greater purpose and understanding, than ever before. The comments from our shareholders could not have been more generous in their endorsement of management's actions. The members of the Board of Directors were, as always, diligent, constructive, and supportive. The strength of the Board was enhanced during the year with the election of Ward S. Hagan, Chairman and Chief Executive Officer of Warner-Lambert Company.

Eugene J. Sullivan
Chairman and
Chief Executive Officer

Borden Consumer Products

	1983	1982
Sales (in Millions)	**$2,771.3**	$2,659.9
% of Totai Sales	**65%**	65%
Operating Income (in Millions)	**$ 210.0**	$ 181.3
% of Total Income from Operations	**57%**	62%

For the Consumer Products Division, the company's largest division, 1983 was its most successful year. Operating income increased to $210.0 million, 15.8% above the previous high of $181.3 million in 1982. Five of the division's six product groups posted record results; the Dairy Group was adversely affected by an industry-wide surplus of raw milk induced by high government support payments.

The gain in profits reflected a more favorable mix of higher-margin specialties, improved market position for several major products, the successful introduction of new products, the addition of products through acquisitions, and greater efficiencies in distribution with the introduction of a "back-haul" program for major food-chain customers. Three product categories that have been emphasized under the company's long-range development program — snacks, pasta, and non-food consumer products — increased their relative contribution to operating income by 3.6 percentage points from 1982, to 28.8%.

Sales of the division increased 4.2%, to $2.77 billion from $2.66 billion in 1982.

GROCERY PRODUCTS GROUP

The Grocery Products Group is the most diverse, and the largest profit contributor, of the division's six groups. Its six profit centers manage all domestic non-perishable grocery products (except pasta), cheese, confections, aseptic products, a broad range of specialty and industrial products, and all Canadian consumer products.

For the year, the group posted record income, up 18% on a sales gain of

Lite-line snacks were introduced into 22% of the country, making Borden the first company to offer snacks with less fat and fewer calories than conventional snacks.

1%. Nonetheless, results were depressed by the combined effect of a national dairy surplus and a federally sponsored cheese-donation program.

Desserts and Beverages. Sales of this profit center increased 10%, and income, 38%.

Strong advertising support enabled Eagle Brand sweetened condensed milk, the company's original product, to achieve substantial sales gains and maintain firm hold on its Number One market position, despite increased pressure from imports and domestic competition.

Another market leader, ReaLemon reconstituted lemon juice, also registered increased volume sales. Further gains are expected in 1984 as the brand benefits from the introduction, late in 1983, of a new 100% pure, refrigerated lemon juice that contains no preservatives or additives.

Wyler's Sugar Free drink mixes, containing Nutra Sweet brand aspartame, a low-calorie sweetener, were introduced in April, and sales far exceeded projections. Their addition contributed to a significant increase in sales and income of the Wyler line, which also includes sugar-sweetened and unsweetened mixes. During 1983, a line of sugar free mixes directed to adults was successfully tested under the Lite-line brand and will be introduced nationally in 1984.

Main Meals. Sales of this profit center declined 10%, and income, 1%. The decrease was related to a cheese-donation program by the government.

During the first six months of 1983, the government gave away processed cheese equal in volume to total 1982 commercial sales. As a result, volume for the category dropped sharply after many years of steady growth. Competitive pressures to maintain volume in a reduced market caused declines in both prices and margins. Against this backdrop, Borden maintained its market share in processed cheese and increased its share by 10% in the diet category, in which the Borden Lite-line brand holds a strong Number One position. Contributing to the strength of Lite-line was the introduction of several new items under the brand, including new flavor varieties and low cholesterol and reduced sodium products.

Changes in the dairy support program and restrictions on the cheese-donation program, instituted toward year end, should result in a significant improvement in the company's cheese business in 1984.

Bama brand jams and jellies continued as the market leader in their distribution area, the South. Snow's chowders held their Number One position nationally in the chowder category.

Borden Frosted, flavored drinks that were previously sold in thermoprocessed cans, were introduced in a new aseptic "Shake Box" package in the third quarter. Sales have substantially exceeded projections.

A 100% pure, refrigerated lemon juice that contains no preservatives or additives was introduced under the ReaLemon brand.

Confectionery Products. Sales of this profit center were down 6%, reflecting the discontinuation of several marginal, unprofitable products and sizes. Largely because of this winnowing, however, income climbed 61%.

Results were also affected by heavy investments in marketing to improve product positioning. Distribution of Cracker Jack candied popcorn in 10.5 oz. tubs was extended to 50% of the country, with no adverse effect on unit sales of the traditional boxes, which increased 7%. Cracker Jack Extra Fresh Popping Corn was repackaged and resized; sales increased 43% over the prior year following introduction of the new pack. Borden mints and "window box" candies were up 28% in volume, the result of a program to expand distribution through grocery stores.

Aseptic Products. Volume sales for this profit center, which markets Borden Sippin' pak juice products, were four times those of a year earlier.

Three new aseptic processing lines were installed during the year, bringing to five the number in operation. A sixth line will be added early in 1984. Distribution of Sippin' pak 100% juice was expanded from test markets to about 25% of the country, and grape juice was added to the line of flavors. With Sippin' pak, Borden has become the leading marketer of aseptically packaged pure juice in its area of distribution. During the second half, a line of 10% juice drink was introduced under the Bama brand name. In early 1984, Sippin' pak will be expanded to national distribution.

Specialty Products. Sales of this profit center declined 1%, and income, 16%. In addition to being responsible for the division's can manufacturing operations and private label dry grocery sales, the profit center also markets private label cheese and a line of dairy-based industrial products, and thus came under the price- and margin-pressures induced by the milk surplus and the government's cheese-donation program. The margin structure for its milk-based operations is expected to recover in 1984 as a result of changes in the federal programs for dairy supports and cheese donations.

Canada — Consumer Products. This profit center posted a 10% increase in sales and a significant increase in income, despite a weak Canadian economy. The results primarily reflected strong gains in volume sales of Eagle Brand sweetened condensed milk and ReaLemon reconstituted lemon juice.

During the year, the Canadian operations of the Home & Professional Products Group and the Pasta Group were transferred to Canada — Consumer Products, thereby consolidating all Canadian consumer products in one profit center.

SNACKS GROUP

The Snacks Group had a record year, with sales up 27% and income up 34% from 1982. Excluding acquisitions, income increased 28%. The Group significantly outperformed published sales and earnings growth for the snack food industry.

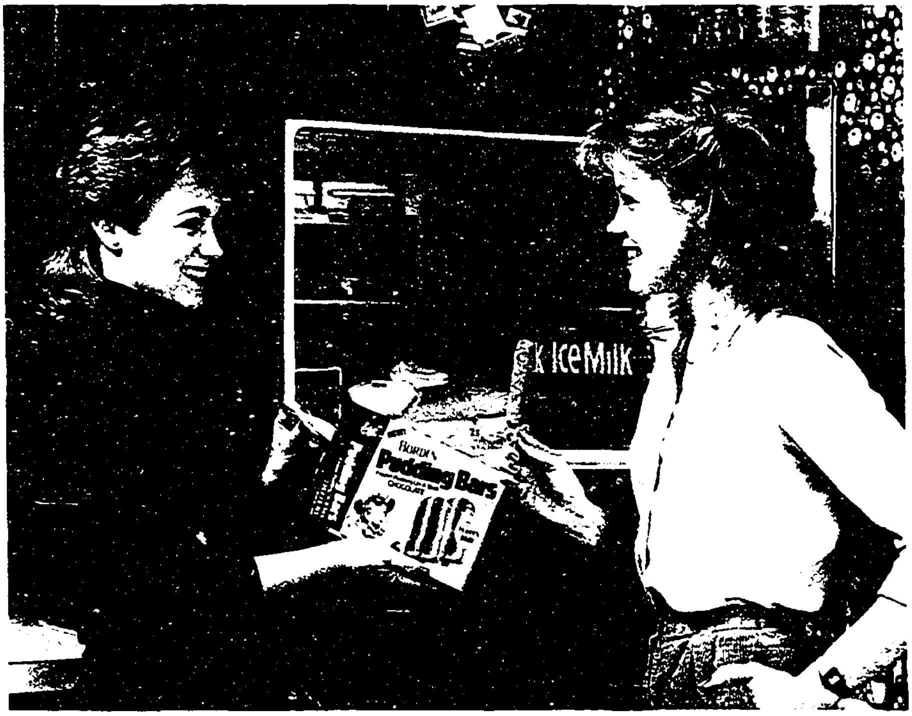
Virtually all profit centers had record results, paced by the Guy's and Seyfert snacks operations, which reported exceptional gains in sales and income.

New products contributed substantially to the Group's performance.

Lite-line snacks were introduced into 22% of the country, making Borden the first company to offer snacks with less fat and fewer calories than conventional snacks.

Cottage Fries potato chips, a new, thicker-cut, wavy-style chip packaged in foil, were phased into 62% of the U.S., and exceeded all expectations in all markets. The product has become the Number Two selling potato chip item in the Borden line in all markets where it is available. Cottage Fries are projected to account for at least 10% of the Snacks Group's total volume in their first year of full distribution.

Seyfert pretzels, previously sold only in Indiana and Michigan markets, were extended to two-thirds of the country,



Frozen novelties contributed a larger share of the company's ice cream sales, benefiting from substantial growth of Borden Pudding Bars.

Borden increased by 10% its market share in the diet cheese category, where the Lite-line brand already held a strong Number One position.

with exceptional results. Consumer acceptance of the product — the only pretzel made with real butter — has necessitated a major expansion of the Seyfert manufacturing facility.

The PickUps line of individually packed, single-serve snacks, which include cookies, crackers, cakes, brownies, and other salted and sweet snacks, was expanded to two-thirds of the U.S. population, after demonstrating sustained growth of 20% in the original test markets.

The Snacks Group entered the canister snack business during the year. Test markets were established in areas representing 16% of the population. Based on outstanding results in these markets, canister manufacturing lines were added at three locations: Liberty, Missouri; Dallas, Texas, and Spartanburg, South Carolina. The Group plans to extend its canister snack line to all 48 contiguous states in 1984.

Two acquisitions expanded the Group's geographic coverage to slightly over 70% of the U.S. population. Geiser's Potato Chip Co., headquartered in Milwaukee and serving principally the state of Wisconsin, was acquired in April. Clover Club Foods Co., headquartered in Kaysville, Utah, near Salt Lake City, and operating in ten intermountain west and Great Plains states, was acquired in September. In addition to its Kaysville facility, Clover Club has manufacturing plants in Denver and Colorado Springs, Colorado, and Albuquerque, New Mexico.

Major capital investments for the Group include $4 million to install manufacturing facilities for Lite-line snacks in five plants, and $5 million to add potato chip production at Spartanburg and to increase potato chip capacity at St. Augustine, Florida.

PASTA GROUP

The Pasta Group had a record year, outperforming the industry. Dollar and tonnage sales increased 11%, and income increased 16%, from the previous highs in 1982. The improve-

Borden Creamette brand achieved an all-time high in market share, moving up to third place among all brands of pasta sold in the U.S.

ment was the result of geographical expansion into new markets and a fuller mix of products with established accounts.

The Creamette brand achieved an all-time high in market share, moving up to third place among all brands of pasta sold in the U.S. The Creamette brand has broad distribution in markets that account for 59% of total pasta consumption.

Construction of an $8.8 million Creamette pasta plant at Tolleson, Arizona, near Phoenix, was completed, and shipments to West Coast markets began in August. It is the first new pasta plant to be built in the West in ten years.

DAIRY GROUP

The Dairy Group's sales were virtually unchanged from a year earlier but income declined 4%, largely traceable to the government's dairy price-support program. Record-high payments to farmers encouraged production, flooded the market with raw milk, and inflated the price to a level that hurt retail sales. The surplus intensified competition among processors and prevented adjustment of selling prices to recover rising costs. The Dairy Group, which has broad distribution in the South, was also adversely affected by the depressed economy in the oil- and petrochemical-dominated areas of Louisiana, Texas, and Oklahoma.

The downturn in results was cushioned by an improvement in the Group's productivity. Costs were materially reduced, without affecting service or product quality, through substantial efficiencies in processing, handling, distribution, and administration.

New products were also an important contributor to the Group's performance. Hi-Protein cottage cheese, "No Salt Added" cottage cheese, and Hershey chocolate milk were introduced with excellent results. Gelare Italian-style ice cream, the company's entry into the "super premium" segment of the ice cream market, is being test-marketed in four major areas. Early results are highly promising, and expansion is planned for 1984. At the same time, Lady Borden ice cream remained secure in its leading position in the premium segment, maintaining the major sales increases registered in 1982. Frozen novelties became a more significant factor as Borden Pudding Bars, introduced in 1982, continued to show substantial growth.

Wyler's Sugar Free drink mixes, pre-sweetened with NutraSweet brand aspartame, were introduced in April; sales far exceeded projections.

A line of aseptically processed 10%-juice drinks was introduced under the Bama brand.

Capital expenditures for the Group increased from a year earlier. Work continued on modernization of the Houston, Texas, milk plant, and major investments to expand ice cream manufacturing capacity were made at plants in Amarillo, Texas; Baton Rouge, Louisiana; Orlando, Florida, and Pittsburgh, Pennsylvania. Upgrading of the truck fleet was at an all-time high, with major emphasis given to replacing gasoline-powered vehicles with more fuel-efficient diesel-powered vehicles.

The Houston, Texas, ice cream plant was destroyed in December by an explosion of ammonia gas. The plant was unoccupied at the time, and there were no injuries. The Houston market is being temporarily served from other Borden ice cream plants in Texas and Louisiana while plans are being drawn to replace the Houston plant immediately with a new facility.

The Dallas, Texas, dairy was sold in the third quarter to a group of businessmen representing the Dallas Arts District. The 50-year-old facility, in the city's downtown area, will be replaced by a new plant to serve the market.

BAKERY/PUERTO RICAN OPERATIONS GROUP

The Bakery/Puerto Rican Operations Group posted a 3% increase in sales and an 8% increase in income.

The bakery profit center, which markets Drake's-brand products in a 13-state area from Maine to Florida, registered a 14% gain in income on a 3% rise in sales. The relatively higher improvement in earnings reflected a

Krylon, the market leader in spray paints, introduced a line of rust inhibiting paints, under the trademark Rust Magic.

reduction in the cost of goods sold and a more favorable mix of higher-margin items resulting from the successful introduction of several new products. Drake's strengthened its position as the leading brand in its distribution area.

A new fruit-processing and dough-extruding system to improve the quality of Drake's all-natural fruit pies was installed at the Long Island City, New York, bakery. Packaging for the pies was also improved. Following their reintroduction, sales increased 26%.

To build sales volume, and share in the fast-growing donut sector of the bakery industry, Drake's introduced five new donut products, including two exclusive items, fruit-filled and powdered bite-size donuts called "Munchies." As a result, volume sales of Drake's donuts almost doubled, and market share increased to 7%.

Drake's expanded its positioning among adults, and in the "family dessert" category, with the introduction late in the year of three flavors of "Dessert Squares," a unique concept for the snack-cake industry. Sales of over $4 million are projected for 1984. Another new product addressed to adults was "Krisp & Natural," a toasted wheat cracker.

A program to increase market penetration and distribution economies in Drake's Southern fringe areas led to a 25% volume increase in the Florida markets of Tampa and Orlando.

The Puerto Rican operations, made up of three profit centers, posted a 3% gain in sales and a 4% gain in income.

Results for Borden Puerto Rico, the profit center that markets locally processed frozen meats and Borden grocery and cheese products, were slightly ahead of a year earlier. Margins increased moderately with an improvement in product mix; sales were virtually unchanged.

Snack sales, through the Caribbean Snacks profit center, were up marginally and market share improved, but income declined, chiefly because of higher costs associated with the transfer of operations to a new facility.

Industrias La Famosa, the third profit center, produces a wide range of canned grocery products, from Coco Lopez brand cream of coconut to staples. Its sales increased, but income remained unchanged, as consumers shifted more of their purchases to staples. Coco Lopez, which is distributed throughout the U.S., increased its market share by 7 points to an all-time high.

During the year, Industrias La Famosa became a wholly owned Borden subsidiary with the acquisition of a remaining 20% interest. Borden also acquired International Foods, a frozen foods distributor in Puerto Rico. This places Borden as the primary distributor of frozen foods in Puerto Rico.

HOME & PROFESSIONAL PRODUCTS GROUP

The Home & Professional Products Group had a record year, with sales up 30% and income up 40% from 1982. The results reflected all-time-high performances by two long-established pro-

Rain Dance brand "Sun Shield," a unique category of ultra-violet-light absorbing car waxes, is among nine new car-care products introduced during the year.

Developed by Borden, Elmer's STIX-ALL is a new household repair glue that combines most of the characteristics found in the several types of repair glues currently on the market.

fit centers — Elmer's adhesives and Krylon spray paints — and the full-year sales and income of two operations — Car Care Products and Sterling Plastics — that were acquired in mid 1982.

Krylon strengthened its Number One position in spray paints largely through expanded distribution of Decorator colors and the introduction of a new line of rust inhibiting paints under the trademark Rust Magic. Also contributing were two new products launched late in 1982: Krylon Vinyl Rich, a line of liquid vinyl colors, and Krylon Kontrol Tip, a line of touch-up colors for domestic and imported cars.

Elmer's posted a healthy gain in sales and income, boosting market share in each of the three adhesives categories in which it competes: household glues, carded glues, and building adhesives. Building adhesives moved up to 36% of profit center sales as a result of a test program in which markets representing 10% of the U.S. were selected for special advertising. The program will be expanded in 1984.

A new household repair glue, developed by Borden, was introduced under the trademark STIX-ALL. Shipments began in January, 1984. The product combines most of the characteristics found in the several types of repair glues currently on the market, but is expected to especially supplant cyanoacrylates, which have been declining in sales.

The **Car Care** profit center was formed in mid-1982 with the acquisition of the DuPont line of car care products. Business was adversely affected in the first half of 1983 by two major factors: a delay in making new products available during the previous autumn's "sell-in" to the trade, and heightened competition as the industry worked down heavy inventories that accumulated during a lengthy period of rainy weather. In August, the profit center introduced nine new products at the industry's trade show. Their favorable reception, coinciding with a resolution of the inventory problem, led to a sharp rise in fall sales to the trade. By year end, the profit center's market share was above a year earlier, and a strong recovery is projected for 1984.

The most significant of the new products is a unique category of ultraviolet-light absorbing waxes, being marketed under the Rain Dance Sun Shield trademark.

Sterling, which markets plastic school and office supplies, achieved target sales and income during its first full year since being reacquired in 1982. The profit center branched out into a new and promising sector of the office-supplies field with the introduction of plastic data-processing storage systems.

Borden Chemical

	1983	1982
Sales (in Millions)	**$768.8**	$679.6
% of Total Sales	**18%**	16%
Operating Income (in Millions)	**$ 80.3**	$ 26.8
% of Total Income from Operations	**22%**	9%

Operating income of the Chemical Division tripled from 1982, as volume increased and prices firmed with the strong recovery of its two principal markets, housing and autos. Operating income climbed to $80.3 million from $26.8 million, a gain of 200% that lifted the division's share of total operating income to 22%, from 9% a year earlier. Sales increased 13%, to $768.8 million from $679.6 million.

The impact of economic recovery on the division's results was heightened by manufacturing efficiencies that accompanied higher plant operating rates, the availability of new and reopened facilities, the addition of new products, and generally lower costs for raw materials, notably natural gas, the division's principal feedstock.

Housing starts rebounded to 1.7 million units, the highest level in four years, from a 36-year low of just over 1 million units in 1982. This sharp recovery led to substantial gains in sales and volume by the division's Forest Products operation, which supplies formaldehyde-based adhesives to plywood and particleboard manufacturers. The rise in volume exceeded that of the industry and lifted the operation's share of market. Income increased at a greater pace than sales, largely because of higher plant-utilization rates, process modifications made to reduce energy usage, improvements in formaldehyde production, and realignment of manufacturing facilities.

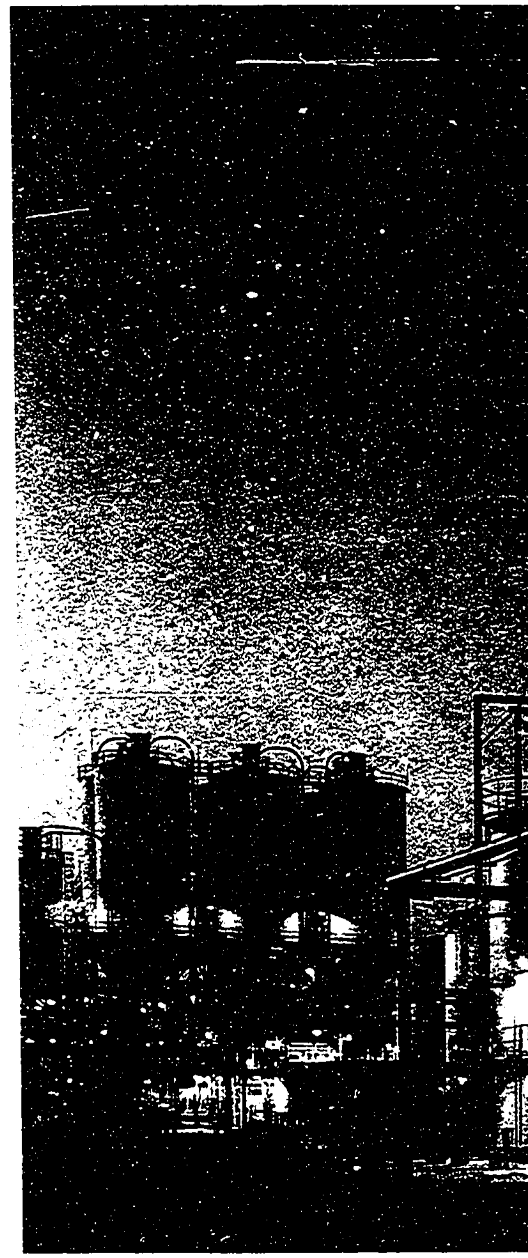
The Forest Products operation had the benefit of additional phenolic resins capacity, brought on stream during 1982 by the expansion of plants at Sheboygan, Wisconsin, and Fayetteville, North Carolina. These reformulated and improved resins are used in the manufacture of structural boards, one of the fastest-growing sectors of the forest products industry. The plants also resumed production of spray-dried resins in response to demand from wafer board manufacturers.

Industrial adhesives registered a moderate gain in volume and sales and a significant gain in income. The relatively greater improvement in income was due to increased market share, higher operating efficiency, and lower raw material costs. Two substantially improved products were made available: hot melt bookbinding adhesives, and binders for fiberglass shingles.

The Industrial Resins operation experienced improved earnings owing to a shift to a higher-margin product mix that accompanied an upswing in sales related to the recovery of the housing and automotive markets.

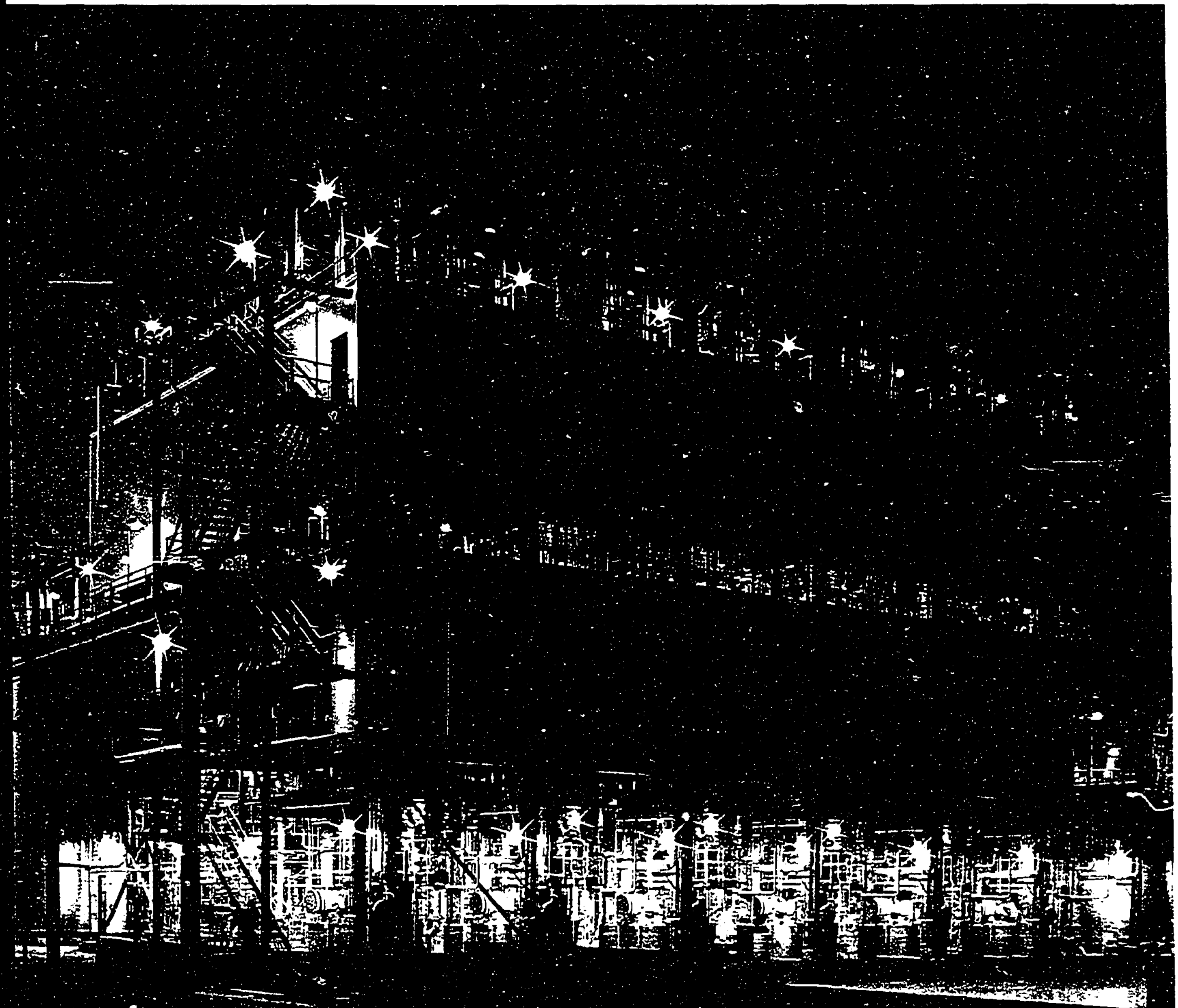
The division's basic markets for industrial phenolic resins have been thermal insulation, foundry molds, and friction materials such as brake linings and grinding wheels. Three new specialty markets were added in September with the acquisition of Monsanto's industrial phenolic resins business. The acquisition, involving product technology and patents, placed Borden in the battery separator, filter, and sound deadener market. The added volume also improved the operating efficiency of existing plants producing phenolic resins. The Louisville, Kentucky, facility has already been expanded to handle anticipated growth.

Total industry PVC sales, including exports, rebounded from their depressed levels in 1982, rising 12% to 6.1 billion pounds. Borden Chemical's PVC resin sales grew at a substantially greater rate than the overall industry's. Borden was able to outperform the industry's recovery because of the existing product mix of specialty and



commodity-grade PVC resins produced by the division's Thermoplastics operation.

The recovery in industry demand for PVC resin paralleled the resurgence in the housing, construction, and automotive markets, which account for more than 60% of all the PVC resin consumed in the U.S. A combination of cost-and demand-induced price in-



A new PVC plant at Geismar, Louisiana, with a capacity of 300 million pounds per year, will be the most cost-efficient plant of its kind in the world. Its large stainless steel reactors are fully computerized.

creases in the first half brought a recovery of margins, which had eroded during 1982. Prices eased in the second half as supply moved closer to demand; margins, however, held above year-earlier levels, helped by higher plant efficiency.

The Thermoplastics operation posted a substantial volume increase in PVC, and an even greater increase in dollar sales. The operation achieved its highest income since 1980, benefiting from higher price levels and greater plant utilization.

A new PVC plant at Geismar, Louisiana, with an annual capacity of 300 million pounds, began break-in operations in the fourth quarter. It will be the most cost-efficient plant of its kind in the world. Large stainless steel reactors,


Photo albums are among the applications for oriented polypropylene (OPP) film. The division's OPP film plant at North Andover, Massachusetts, will undergo a $25 million expansion, increasing capacity 70%.

utilizing "clean wall" technology, are fully computerized from polymerization through fluidized-bed drying, enabling Borden to maintain its leadership position as the cost-efficient quality PVC resin producer.

One line at the new plant will be totally dedicated to the production of specialty grade, large-reactor PVC resin, used in producing clear extruded film, medical tubing, blood bags, and other demanding end-use products for the merchant market and internal consumption.

A second line will be committed to producing uniform high quality, rigid grade PVC resin for marketing to high performance applications, such as vinyl siding, doors, windows, and extruded profiles.

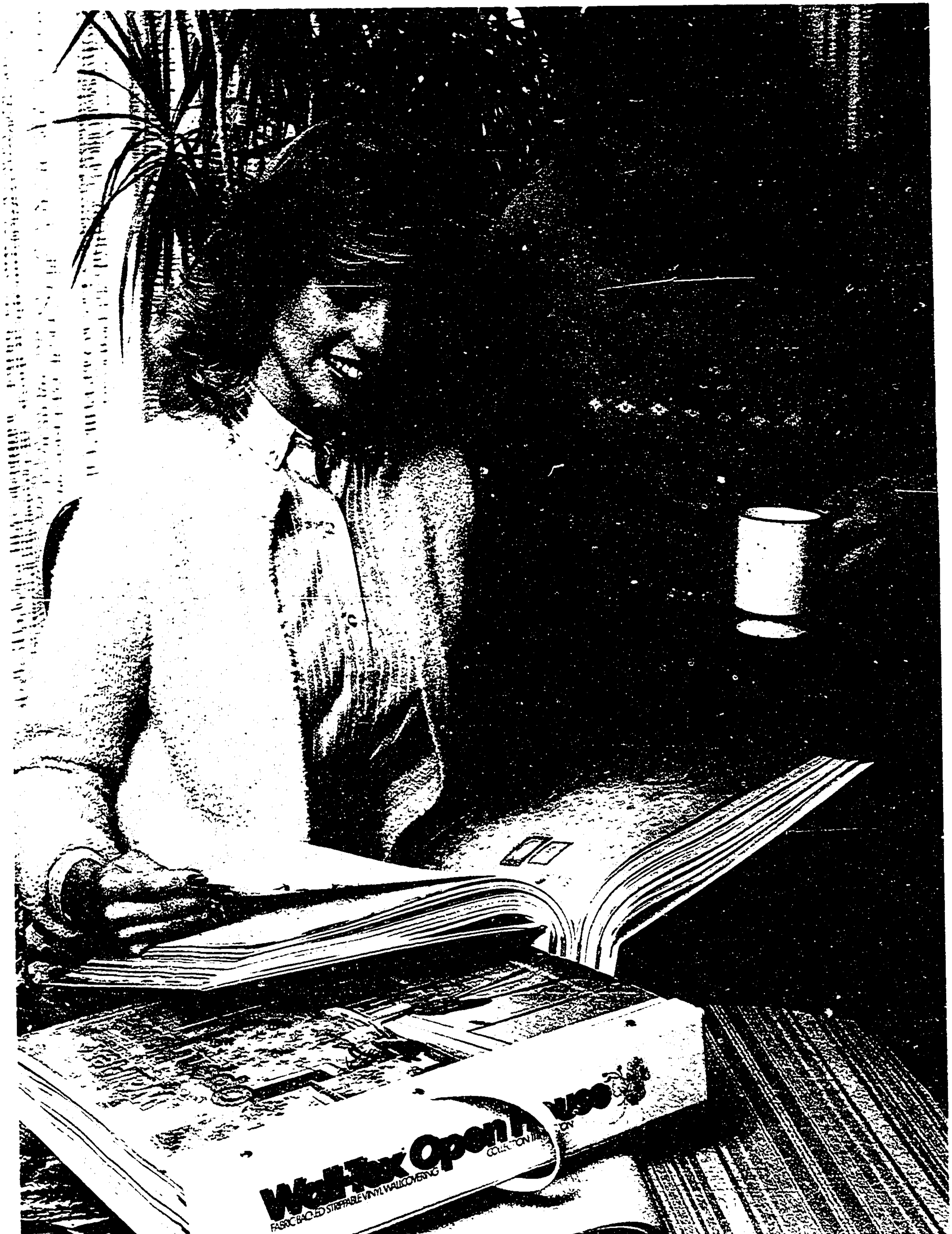
The plant's 300-million-pound capacity will move Borden from seventh to third place in total PVC resin capacity in the U.S. The division's total capacity will be in excess of 800 million pounds.

Borden is one of the few U.S. companies that supply a full line of PVC resins: homopolymer, copolymer, dispersion, blending, and paste. Specialty resins account for about 12% of the industry's sales but more than 20% of Borden Chemical's PVC sales.

The Thermoplastics operation's latex business, operated under the Polyco tradename, had a strong performance, with income and sales more than doubling on a sound gain in volume that lifted utilization to capacity. Pursuing the strategy of expanding the polyvinyl acetate-based segment of the Polyco unit led to the sale of the PVC latex technology and business to B. F. Goodrich in the fourth quarter.

The division's Plastic Products Group, which converts PVC and polypropylene resins into finished materials, had an excellent year, with sales up more than 10% and income up over 40%.

Among Plastic Products' four profit centers, the most significant improvement was registered by Columbus Coated Fabrics, which produces vinyl wallcoverings and calendered and decorative vinyl for consumer applications. All sectors of its business were up sharply. Wallcoverings benefited from the strong housing and home-improvement markets. Increased demand for household furnishings was reflected in significantly higher sales of decorative vinyl sheeting to manufacturers of appliances and home entertainment centers.



Columbus Coated Fabrics' wallcoverings business increased significantly, benefiting from a strong upturn in the housing and home-improvement markets.

Lawn- and garden-care chemicals are among the specialty outlets for the division's non-captive production of ammonia and urea. Some 15 specialty markets are served by the division.

OPP (oriented polypropylene) film continued the strong growth pattern it has shown since the division began making the product in 1980. Sales were well above those in 1982, and income was significantly higher. The OPP film manufacturing plant at North Andover, Massachusetts, will undergo a $25 million expansion, the second since 1980, which will increase capacity by 70%. Upon its completion, scheduled for mid 1985, Borden will become the third-largest OPP film producer in the U.S. The added output will be used to meet increasing demands of the food-packaging industry, in particular the snacks and bakery segments, and industrial markets.

The Resinite brand PVC film operation continued its excellent profit performance and registered further increases in income and sales. Resinite films are sold to supermarkets and to institutional and industrial customers for the wrapping of a wide variety of products.

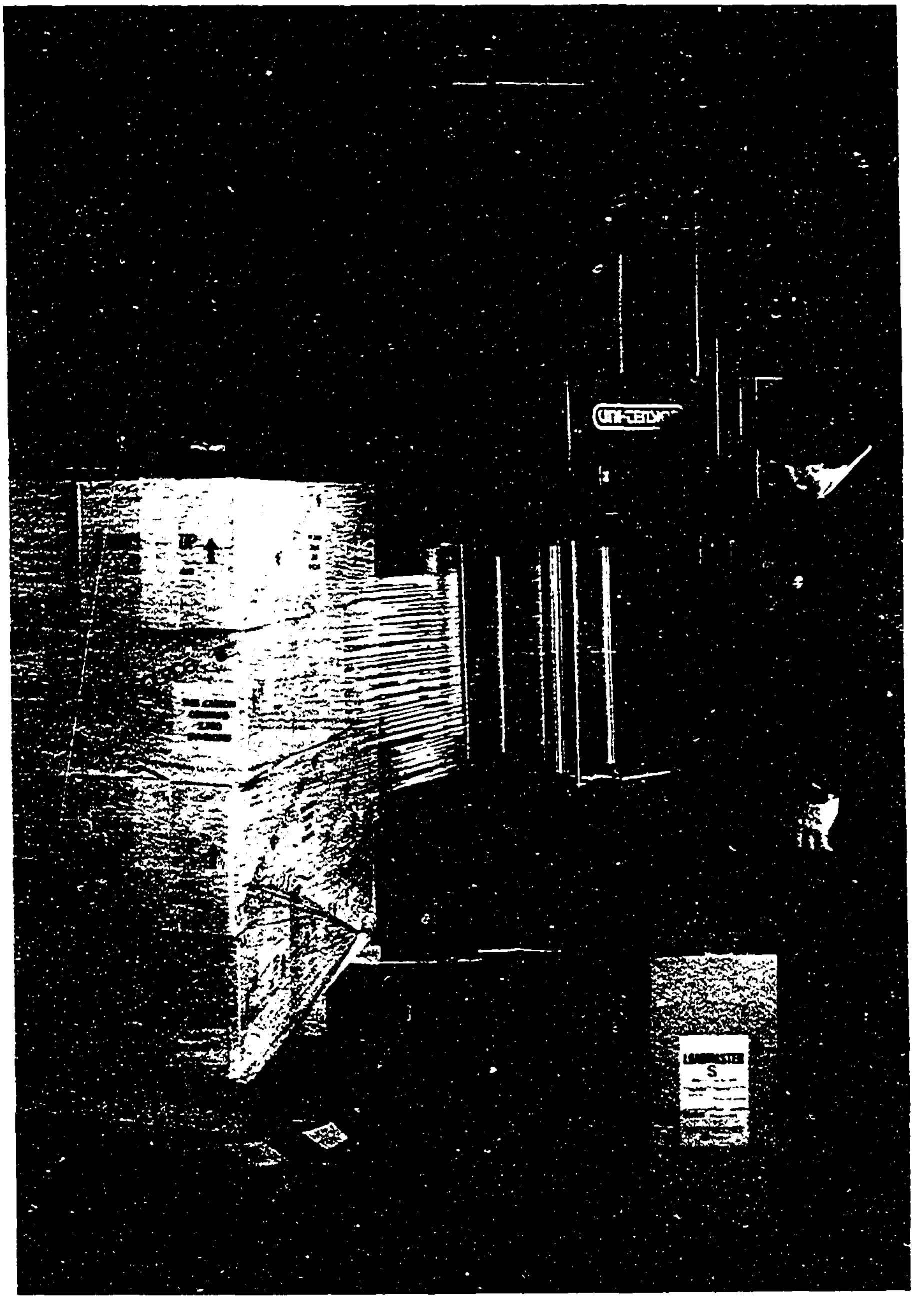
As a companion product to its PVC pallet-wrap film, Resinite introduced Loadmaster, a high-quality pallet-wrap film made from linear low-density polyethylene. The film is produced using a proprietary, Borden-developed process on modified PVC film-making equipment, thus permitting maximum utilization of invested capital. Loadmaster films are in production at several Resinite locations and are being marketed nationally. Resinite also expanded distribution of a new shrink PVC film for bundling aseptic packages of fruit drinks and dairy products.

The Vernon/Fabric Leather profit center, with operations in Massachusetts and New York, showed an improvement from a year earlier, although margins remained at depressed levels. The profit center is an important supplier to U.S. manufacturers of vinyl consumer goods, all of which have been adversely affected by low-priced imports. The profit center developed a printed vinyl swimming pool liner, and other nationally marketed industrial products, to build volume and broaden the market for its output.

The division's petrochemical operations, at Geismar, had a much improved year from 1982, following the sharp economic recovery; income was up more than 265%.

The complex produces over 2.4 billion pounds of products annually. Its nine plants are highly integrated, exchanging raw materials and sharing centrally produced steam and natural gas derivatives. Consequently, as the number of facilities on stream and their operating rates increase, the efficiency of the complex rises dramatically. This occurred in the second half, with the reopening of the ammonia facility, which had been shut down since January.

Acquisition of Monsanto's industrial phenolic resins business placed Borden in three new specialty markets for the resins: automotive filters, battery separators, and sound deadeners.



A high-quality pallet-wrap film made from linear low-density polyethylene was introduced under the tradename Loadmaster. It is a companion product to Resinite pallet-wrap film, made from PVC.

The ammonia plant, upgraded to world class in 1982 and with a capacity of 1,150 tons per day, was running above design capacity within six weeks of its startup. The ethylene-based vinyl chloride monomer plant, which supplies raw material for PVC production, ran above design rates for the year.

Lower natural gas costs contributed further to the profitability of the complex. The reduction was the result of renegotiation of existing contracts and higher use of the company's own reserves. Average gas costs were below the Louisiana market price.

The petrochemical operation sells its non-internally consumed output to manufacturers through the division's petrochemical marketing department.

The Energy Resources Group, which is responsible for developing the division's natural gas resources and marketing supplies that are not used internally, had a successful year in spite of the severely depressed oil and gas markets. Income was up 11% while sales held at the levels of a year earlier.

The division's graphics operation experienced a decline in volume, sales and income, owing to an asset-redeployment and restructuring program that included withdrawal from the manufacture of organic pigments. Ongoing operations showed improvement, with a moderate increase in sales of specialty dispersions and coatings and substantial increase in sales of aqueous ink systems.

The Canadian chemical operations posted substantial gains in volume, sales and income. Responsible for the improvements were the recovery of the Canadian housing and construction markets, higher sales of Resinite PVC film, and a substantially improved performance by the restructured Printing Inks Group. A new formaldehyde and urea/formaldehyde concentrate plant at Edmonton, Alberta, is scheduled for completion in the first quarter of 1984.

Borden Inc. International

	1983	1982
Sales (in Millions)	**$724.6**	$771.7
% of Total Sales	**17%**	19%
Operating Income (in Millions)	**$ 78.8**	$ 83.9
% of Total Income from Operations	**21%**	29%

Operating income of the International Division declined 6.0% to $78.8 million, from a record $83.9 million in 1982, reflecting the continued recession in many of the countries in which it does business and the balance of payment problems of several countries in Latin America. The strength of the U.S. dollar adversely affected export operations, created foreign exchange losses, and lowered the reported dollar results of those operations that experienced increased sales and income.

Foreign exchange losses totaled $12.8 million, slightly above the $12.4 million in 1982, owing primarily to the strong dollar and a 23% "maxi" devaluation of the Brazilian cruzeiro in February. Following the devaluation, the division substantially reduced its foreign exchange exposure and outstanding debt level in Brazil.

Sales of the division declined 6.1% to $724.6 million, from an all-time high of $771.7 million a year earlier. All the decrease was attributable to the rise in the value of the dollar.

In general, the division's milk powder and food operations had an extremely successful year in most countries, while the chemical operations in Latin America and Europe were severely affected by local economic conditions and intense price competition or price controls.

EUROPE

The European food and milk powder operations produced excellent results, but the chemical operations suffered from depressed demand and severe competitive pressures.

Chemicals

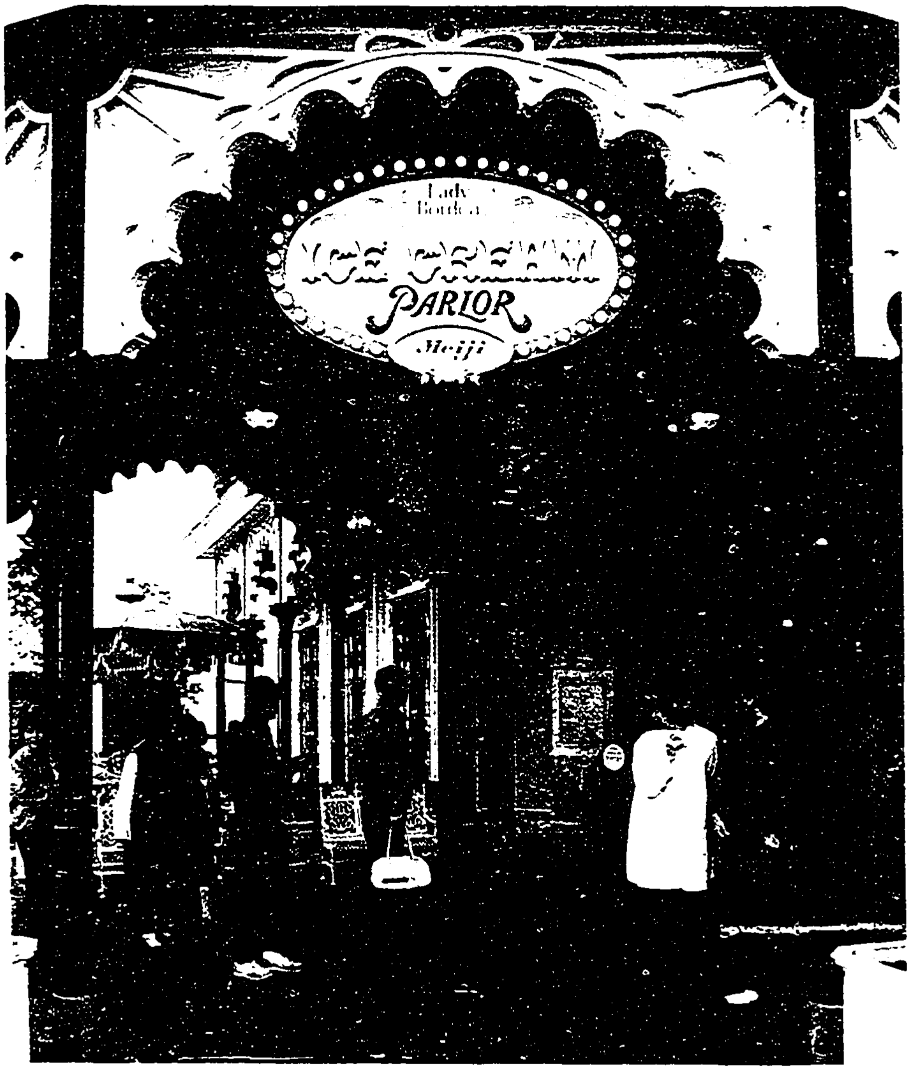
In the United Kingdom, income was down owing to lower margins and the continued strength of the dollar. Sales increased in local currency but declined in dollar terms. A new foundry resin system, Betaset, was introduced, as was a new international range of plastic hobby kits under the Humbrol brand name.

In France, results were down substantially, affected by price controls, a poor economic climate, and a declining currency.

In the Netherlands, sales and income increased substantially, owing mainly to the good performance of two thermopackaging operations acquired in 1982.

In Spain, sales and income declined, reflecting a severe recession, the devaluation of the peseta, and intensive price competition. However, sales of Resinite PVC packaging film increased 30%.

The Resinite film operation in South Africa, administered by the European



The Lady Borden Ice Cream Parlor is a popular attraction at the newly opened Disneyland in Tokyo. Lady Borden ice cream is the largest-selling premium ice cream in Japan.

Group, had another highly successful year.

Foods

The Weber bakery operation in West Germany performed well in an extremely competitive environment. It continued as the supplier of hamburger buns to the McDonald's chain of restaurants in West Germany, and introduced several new health-oriented bakery products.

Suzy, the Belgian bakery operation, is the world's largest producer of waffles, with 50% of the Belgian waffle market and exports throughout Europe. Suzy achieved a major turnaround in profits as a result of a reorganization and automation. ReaLemon reconstituted lemon juice, produced and bottled at Ramsdonk, Belgium, strengthened its position as a major brand throughout Europe and the Middle East.

Gallina Blanca, the Borden food affiliate in Spain, benefited from strong sales of bouillon broth and dehydrated soups, increasing its domestic market share and enjoying a favorable income level in spite of the depressed Spanish economy and the devaluing peseta. Exports of bouillon broth to Africa showed exceptional growth; Jumbo Cube is becoming a household name in West Africa.

Milk Powder

The division's milk powder export operations, conducted worldwide by the European group under the KLIM brand, had sales slightly above the year-earlier level and achieved a new high in income. The results were obtained against extremely aggressive competition, debt problems, and local currency devaluations in many of its major markets.

A new processing plant for KLIM at Esbjerg, Denmark, was near completion at year end. It has a capacity 80% greater than that of a nearby facility, which it will replace. Equipment is being installed at the former KLIM plant that will convert it to a center for a range of new, milk-based products.

Cocio, a Denmark company producing bottled chocolate milk, maintained its dominant share of the market.

The KLIM business in South Africa, which is supplied by a local contract manufacturer with marketing handled by Borden, had a difficult year, primarily because of government-regulated non-competitive milk pricing.

ASIA

Income of the Asian Group's chemical operations increased 33% from a year earlier.

In Australia, although chemical sales were up only slightly, cost containment programs, coupled with consolidation of operations, yielded higher margins.

The operations in Malaysia benefited from the doubling of capacity for spray dried resins. An expansion of the Malaysian facility is planned to meet the growing demand for industrial chemicals in that region.

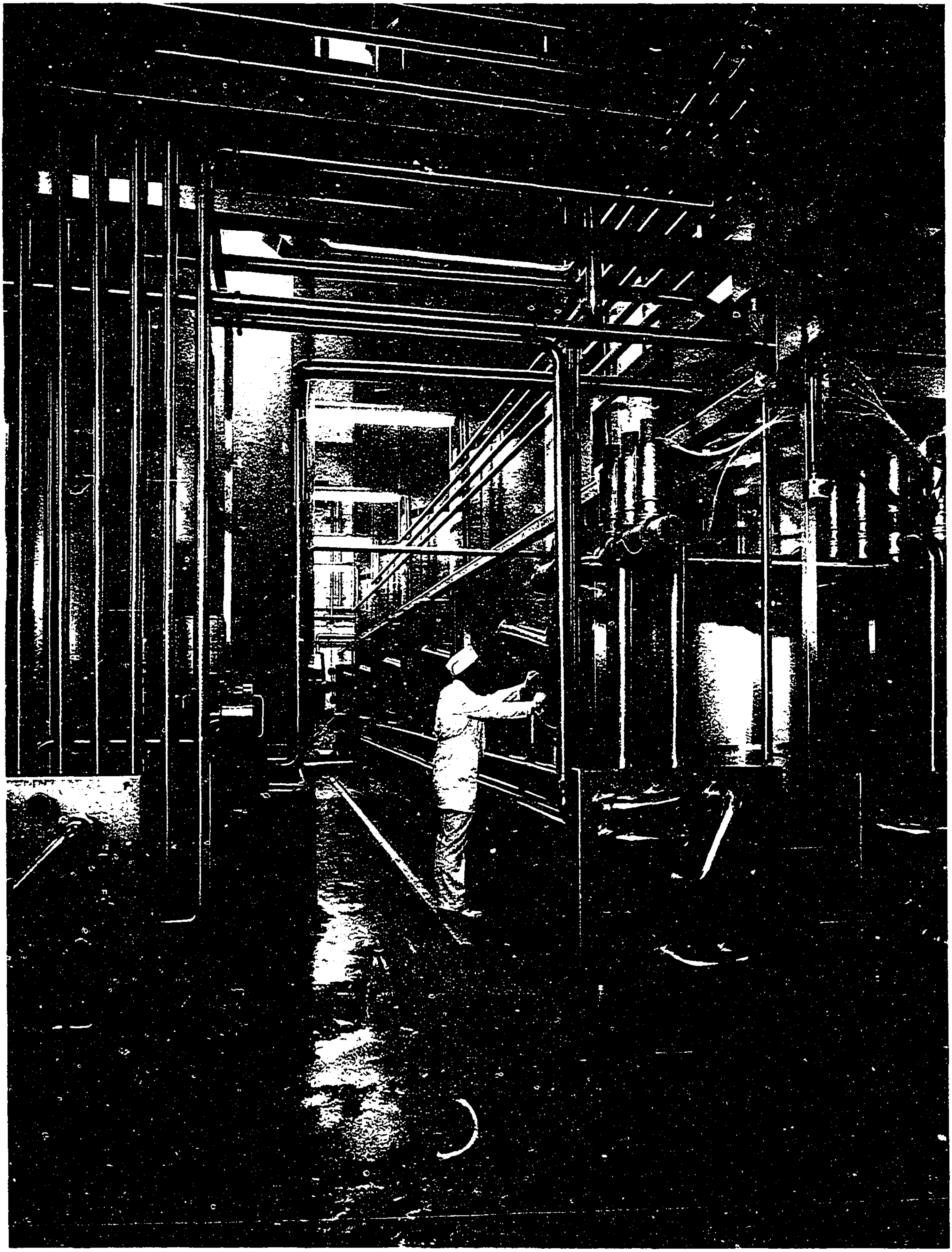
The Asian Group's food operations were up in both volume and profit. Meiji-Borden, the joint venture in cheese, had record sales and income, and introduced several new cheese-snack items. Lady Borden ice cream continued to dominate the premium ice cream market in Japan. It is being featured at the newly opened Disneyland in Tokyo, where a Lady Borden Ice Cream Parlor is among the attractions.

LATIN AMERICA

Most operations in Latin America were severely affected by the economic recession throughout the area. In many countries, high inflation, balance of payments problems, price controls and import restrictions intensified the recession's impact. The hardest hit were the chemical operations, but the Brazilian

Cocio is the leading brand of bottled chocolate milk in Denmark.

Suzy, the Borden bakery in Belgium, is the world's largest producer of waffles, with 50% of the Belgian waffle market and exports throughout Europe.



An $11 million processing plant for KLIM brand whole milk powder was near completion at year end at Esbjerg, Denmark. It has a capacity 80% greater than a nearby facility that it replaces.

Gallina Blanca, the Borden food affiliate in Spain, increased its share of market for bouillon broth and dehydrated soups. Above, a Gallina Blanca delivery van approaches La Mancha, made famous for its windmills in Cervantes' Don Quixote.

food operation was also badly hurt by a flour shortage and price controls.

In Brazil, the chemical operations underwent substantial realignment to adjust to the country's declining industrial production. The realignment led to the temporary idling of certain plants. To counter inflationary pressures, operating expenses were reduced, realistic pricing policies were imposed, and payment terms were shortened. Liquidity improved substantially as a result.

In Colombia and Ecuador, chemical profits were down, and emphasis on these operations was directed to tight control of net trading capital.

In Uruguay, the chemical operation was affected by import restrictions imposed by Argentina and Brazil.

In Argentina, the chemical operation maintained its market position, but profitability declined owing to hyperinflation and a rapidly devaluing peso.

The Brazilian food operation maintained its leading position in the local pasta market. Volume sales were down, however, owing to a deterioration of consumer purchasing power, coupled with price increases significantly above the inflation rate resulting from the government's withdrawal of a subsidy on wheat.

To expand their markets, the Brazilian chemical and food operations are engaged in aggressive export programs. Exports of Adria brand pasta to Chile began during the year. Distributed there by Borden Chile, the product has been well received by the trade and customers, and is now available in the major supermarkets.

Elsewhere in Latin America, the food operations benefited from an increase in volume of KLIM whole milk powder, produced and sold in Colombia.

Aseptic fruit drinks were introduced in Panama, and a joint venture was formed in Costa Rica to manufacture fruit drinks and a full range of dairy-based products, including ice cream and yogurt.

EXPORTS

Export sales and income declined, affected by the recession in many countries and by the strength of the U.S. dollar.

CAN MACHINERY

The Can Machinery Group, which manufactures can-making and can-testing equipment at plants in Colorado and New York, posted slightly lower sales but a strong gain in income, the result of growth in overseas business and the introduction of a new high-speed decorator and press to make automotive filters.

Social Responsibility

Commitment, involvement, and accountability are major components of the company's corporate citizenship program. The Borden Foundation Inc., the company's conduit for charitable contributions, continued its assistance to organizations in those communities where Borden employees live and work. The Foundation helped support 111 United Way fund drives and more than 115 health and welfare agencies in these communities. Support of higher education was maintained through assistance to the Independent College Funds of America, Inc., and the United Negro College Fund, Inc., which together represented 622 institutions of higher learning. Other national organizations having a broad impact on the nation's economic, educational, and social service systems were also supported, many of them with multi-year commitments at their request. Multi-year commitments enable the recipient organizations to make long-range plans.

In-kind donations to food banks around the country continued, and included an unrestricted grant to a national food bank, Second Harvest. In 1983, the Foundation's Matching Gifts Program for Higher Education was expanded with a companion program that matches eligible employee contributions to health care organizations.

The company's minority purchasing program complemented direct philanthropy. About 500 minority-owned firms supplied products and services to Borden during the year, and purchases increased to more than $21 million, from $17.7 million in 1982. Deposits of tax payments in minority-owned banks jumped 158%, to $46.5 million from $18 million.

Employment data gathered in 1983 showed a continued increase in the percentage of minority employees in the top job categories. The percentage of women employed as officials and managers and in professional positions also increased. Over the past six years, the participation of minorities and women has risen more than 35%. The company is committed to further improving the representation of minorities and women in its workforce.

Changes in Directors and Officers

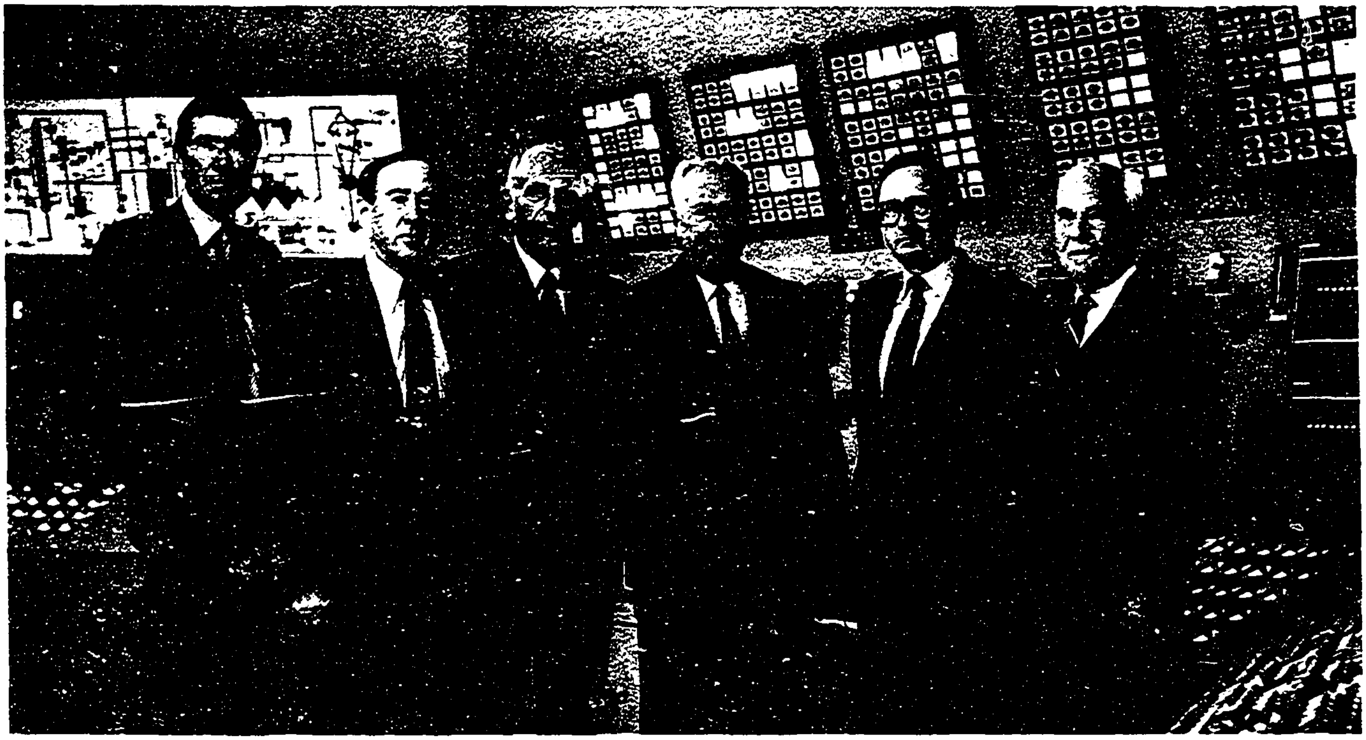
W. Thomas Rice, chairman emeritus of Seaboard Coast Line Industries, Inc., and a Borden director since 1971, retired from the board on April 22, the date of the annual meeting, in accordance with a company policy that nominees be under 70 years of age at the time of election. The board appointed him an advisory director, citing the "integrity and sound judgment that distinguished his 12 years of service."

Ward S. Hagan, chairman and chief executive officer of Warner-Lambert Company, was elected a director on June 28.

Robert W. Gutheil, an executive vice president of the company and president of the Chemical Division, resigned effective July 1 in order to take early retirement. Named president of the division in 1979, Mr. Gutheil oversaw the largest capital investment program in the division's history, and guided a redeployment program that changed the focus of the division's business to specialty chemicals.

R. J. Ventres, formerly a group vice president of the Chemical Division, was elected an executive vice president of the company and appointed president of the Chemical Division, succeeding Mr. Gutheil, effective July 1. Mr. Ventres, a chemical engineer, joined the division in 1957, and eventually headed each of the division's operations: in 1968, as divisional vice president for PVC; in 1972, as group vice president for PVC and petrochemicals, and in 1979 as group vice president for adhesives, energy resources, and the division's Canadian operations.

Karen L. Johnson was elected corporate vice president-consumer affairs, effective September 1. In this new position, she has company-wide responsibility for the management of consumer issues and the analysis of consumer concerns. Miss Johnson came to Borden in 1976 after 14 years with the Pillsbury Company. She began as director of consumer affairs in what was then the Foods Division and was made a divisional vice president in 1977. She holds a bachelor's degree in dietetics and a master's degree in food and nutrition from the University of Wisconsin-Stout.



Members of the Office of the Chairman, shown in the control room of the new PVC plant at Geismar, Louisiana, from left: Frank V. Forrestal, Bernard Nemtzow, R.J. Ventres, John J. O'Connor, Harry G. Lambroussis, Eugene J. Sullivan.

Officers

EXECUTIVE OFFICERS

EUGENE J. SULLIVAN
Chairman and Chief Executive Officer

JOHN J. O'CONNOR
Vice Chairman

FRANK V. FORRESTAL
Executive Vice President
President, Consumer Products

HARRY G. LAMBROUSSIS
Executive Vice President
President, International Division

R. J VENTRES
Executive Vice President
President, Chemical Division

BERNARD NEMTZOW
Executive Vice President
Chief Administrative Officer

STAFF VICE PRESIDENTS

ALFRED S. CUMMIN
Vice President – Science and Technology

LAWRENCE O. DOZA
Vice President and General Controller

FRANK L FLORIAN
Vice President – Planning

KAREN L. JOHNSON
Vice President – Consumer Affairs

DAVID A. KELLY
Vice President and Treasurer

WALTER W. KOCHER
Vice President and General Counsel

ALLAN L. MILLER
Vice President – Employee Relations

ROBERT G. TRITSCH
Secretary

OPERATING GROUP VICE PRESIDENTS

Chemical Division

JOHN S. BELLECCI
Group Vice President – Basic Chemicals

A. S. D'AMATO
Group Vice President – Plastic Products

H. A. PEED
Group Vice President – Adhesives/Canadian Operations/Graphics

TODD C. WALKER
Group Vice President – Vinyl Resins/Petrochemical Marketing

Consumer Products Division

THOMAS O. DOGGETT
Group Vice President – Home & Professional Products

JON G. HETTINGER
Group Vice President – Grocery Products

ROBERT P. KIRBY
Group Vice President – Dairy

SEYMOUR L. VLADIMER
Group Vice President – Bakery and Puerto Rican Operations

GEORGE J. WAYDO
Group Vice President – Snacks

International Division

DAN O'RIORDAN
Group Vice President – European Foods/Export

JOSEPH M. SAGGESE
Group Vice President – Asia/Latin America, North/Can Machinery

ASSISTANT OFFICERS

H. CORT DOUGHTY, JR.
Assistant Secretary

RICHARD H. BYRD
Assistant Treasurer

FRED J. CHRVALA
Assistant Treasurer

TERRENCE W. GASPER
Assistant Treasurer

GEORGE W. SANBORN
Assistant Treasurer

L. CLARKE BUDLONG
Assistant General Controller

EUGENE C. McCARTHY
Assistant General Controller

PAUL J. JOSENHANS
Associate General Counsel

LAWRENCE L. DIEKER
Assistant General Counsel

RONALD P. MORAN
Assistant General Counsel

JUDY BARKER
President, The Borden Foundation

JOSEPH A. McCAHERY
General Auditor

JAMES T. McCRORY
Director, Public Affairs

Directors

THEODORE COOPER, M.D.
Executive Vice President
The Upjohn Company
(Pharmaceuticals)

VIRGINIA DWYER
Senior Vice President, Finance
American Telephone and Telegraph Company

JAMES D. FINLEY
Retired Chairman
J. P. Stevens & Co., Inc
(Textiles)

WARD S. HAGAN
Chairman and Chief Executive Officer
Warner-Lambert Company
(Health-care and consumer products)

JOHN W. LYNN
Chairman and Chief Executive Officer
F. W. Woolworth Co.
(Retail merchandising)

AUGUSTINE R. MARUSI
Retired Chairman

BERNARD NEMTZOW
Executive Vice President and Chief
Administrative Officer

JOHN J. O'CONNOR
Vice Chairman

ROBERT T. QUITTMEYER
Former Chairman and Chief Executive Officer
Amstar Corporation
(Sweeteners — industrial and technical products)

PATRICIA CARRY STEWART
Vice President
The Edna McConnell Clark Foundation
(Charitable foundation)

EUGENE J. SULLIVAN
Chairman and Chief Executive Officer

PIETER C. VINK
Chairman
North American Philips Corporation
(Electrical/electronic manufacturing)

FRANKLIN H. WILLIAMS
President
Phelps-Stokes Fund
(Educational foundation)


Theodore Cooper, M.D.


Virginia Dwyer


James D. Finley


Ward S. Hagan


John W. Lynn


Augustine R. Marusi


Bernard Nemtzow


John J. O'Connor

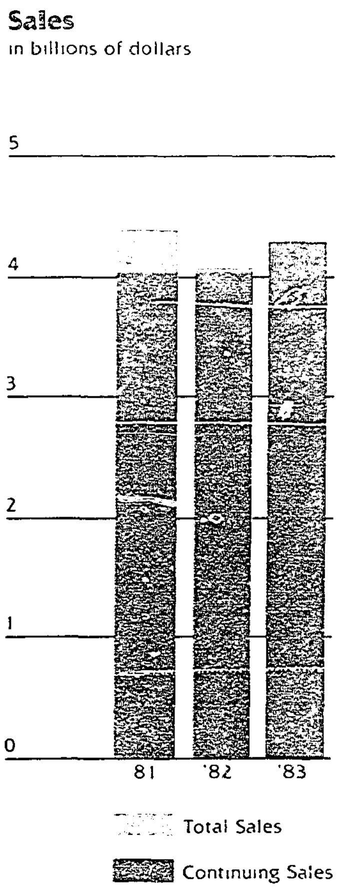

Robert T. Quittmeyer

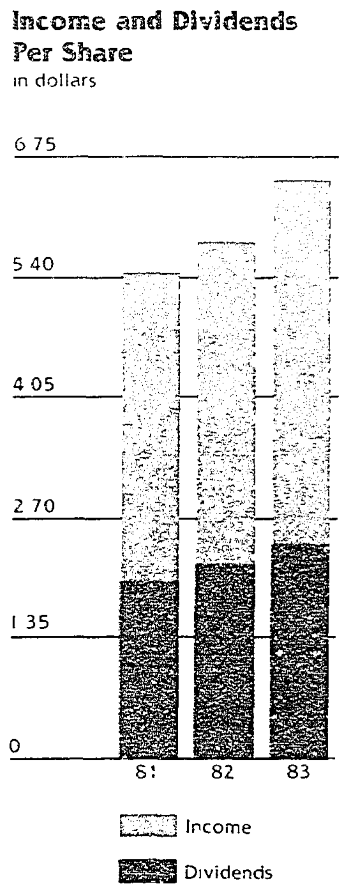

Patricia Carry Stewart

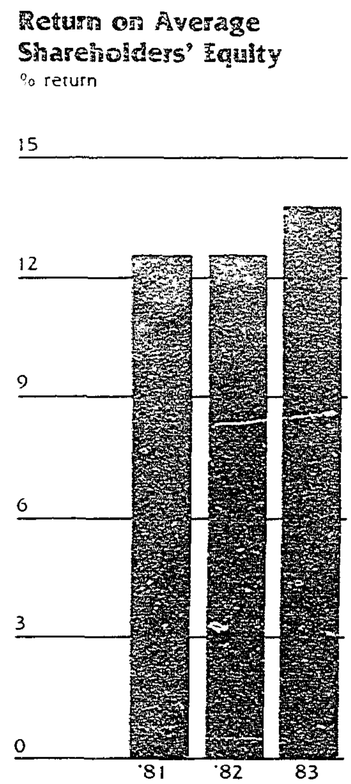

Eugene J. Sullivan


Pieter C. Vink


Franklin H. Williams







Sales and Earnings

Sales for 1983 increased 3.7% to $4.265 billion from $4.111 billion in 1982. Net income for 1983 reached an all-time high of $189.1 million, an increase of 14.0% over $165.9 million in 1982. Primary earnings per share were $6.56, up 12.9% from $5.81 and fully diluted earnings per share increased 15.7% to $6.50 from $5.62. During 1983 the Company realized a net after-tax gain of $28.7 million or $1.00 per share (primary), $0.99 per share (fully diluted), primarily from a disputed contract settlement and the sale of property. During 1982 the Company realized a net after-tax gain of $28.0 million or $0.98 per share (primary), $0.94 per share (fully diluted), from the sale of assets. In addition, average shares outstanding for fully diluted earnings per share in 1983 were approximately 0.6 million less than 1982, which in part contributed to the improvement in fully diluted earnings per share.

Dividends

Dividends for 1983 were $2.38½ per share, an increase of 9.5% over 1982. The increase in 1983 represents the tenth consecutive yearly increase. Quarterly dividends have been paid without interruption for 85 years. Future dividends and the amount thereof will depend upon earnings, cash requirements and other relevant factors.

Return on Average Shareholders' Equity

Return on average shareholders' equity was 13.8% in 1983 as compared to 12.6% in 1982. A company goal is to increase the return on average shareholders' equity to at least 15% by 1985.

THREE YEAR COMPARISON OF DIVISION SALES AND OPERATING INCOME (Dollars In Thousands)

	1983		1982		1981	
Division Sales						
Consumer Products	**$2,771,316**	**65%**	$2,659,944	65%	$2,795,511	63%
Chemical	**768,838**	**18**	679,620	16	898,350	21
International (including exports)	**724,617**	**17**	771,713	19	721,313	16
Total	**$4,264,771**	**100%**	$4,111,277	100%	$4,415,174	100%
Division Operating Income						
Consumer Products	**$ 210,023**	**57%**	$ 181,334	62%	$ 156,962	51%
Chemical	**80,265**	**22**	26,754	9	83,153	27
International (including exports)	**78,814**	**21**	83,886	29	66,260	22
Total	**369,102**	**100%**	291,974	100%	306,375	100%
Other income and expenses not allocable to divisions and income taxes	**(180,033)**		(126,119)		(146,436)	
NET INCOME	**$ 189,069**		$ 165,855		$ 159,939	

Borden is primarily engaged in the purchase, manufacture, processing and distribution of a broad range of consumer products and industrial chemical products, both domestically and in foreign countries. Borden operates in two major industry segments: foods and chemicals. Internally, Borden is organized into three operating divisions: Borden Consumer Products, Borden Chemical and Borden International. The foods segment encompasses the food related products of the Consumer Products Division and the International Division. International's products are primarily processed in overseas plants but also include exports of domestically processed products. Included in the chemical segment are the Chemical Division, the Home and Professional Products Group of the Consumer Products Division, and the chemical related products of the International Division produced overseas and domestically. A breakdown of the Company's sales, operating profit and other information between the foods and chemical industry segments is presented on pages 29 and 30. A three-year summary of sales and operating income by the three operating divisions is presented above. An analysis of the results achieved, financial position and changes in financial position in both industry segments, in terms of the Company as a whole and the divisions through which it operates, for the three most recent years follows.

Liquidity and Capital Resources

Borden meets the majority of its cash requirements through operations. The amounts provided from operations and retained in the business in 1983, 1982, and 1981 were $337.8 million, $253.1 million and $109.9 million, respectively. Short-term borrowings are utilized to meet temporary cash requirements. See Note 4 of the Notes to Consolidated Financial Statements for further information regarding short-term borrowings.

Borden borrows domestically at commercial paper rates and has credit agreements available to support commercial paper borrowing of approximately $300.0 million at December 31, 1983, all of which are with domestic lending institutions. The interest cost on the credit agreements, if used, should approximate the prime rate in effect at the date of use. Additional unused lines of credit totaling $55.3 million at December 31, 1983 are available for use by foreign subsidiaries.

In addition to cash provided from operations, approximately $107.0 and $144.4 million was generated in 1982 and 1981, respectively, through the divestiture of businesses under a redeployment program. The disposal phase of the program was completed in 1982.

In 1983, 1982, and 1981 long-term debt financing provided $26.8 million, $85.6 million, and $8.3 million, respectively. The reduction of long-term debt, including conversions, was $85.7 million, $86.8 million and $64.5

million, respectively. At December 31, 1983 and 1982 long-term debt was 27% and 32%, respectively, of total shareholders' equity. Debt payable within one year, net, increased $42.4 million in 1983 and $32.2 million in 1982 and decreased $24.1 million in 1981.

The Company's strong financial position and history of growth in earnings provide a solid base for obtaining substantial financial resources. If required, management believes that additional cash from long-term borrowings in excess of $300.0 million could be raised. The Company has outstanding a shelf registration statement covering $200.0 million of debt securities, which provides the Company with the flexibility to enter the market quickly and take advantage of favorable market conditions.

Capital expenditures for new facilities and improvements to existing facilities were $184.9, $240.1, and $247.5 million in 1983, 1982 and 1981, respectively. Depreciation, depletion and amortization during each of the three years was $95.5, $99.8, and $99.4 million. The Company's $1.5 billion expansion program, consisting of both capital expenditures and acquisitions, is being funded primarily by operations and, in 1982 and 1981, by the redeployment program.

Borden is actively engaged in complying with environmental protection laws, as well as the various federal and state statutes and regulations relating to the production, processing, distribution and labeling of its many products. In this connection Borden incurred approximately $8.5 million of capital expenditures in 1983 as compared to $24.1 million in 1982 and $17.9 million in 1981. It is estimated that Borden will spend $6.7 million for environmental control facilities during 1984.

During 1983 the Company called its 6¾% and 5% convertible debentures for redemption. Approximately 0.6 million shares of common stock were issued for the conversion of $17.4 million convertible debentures prior to the redemption dates. The Company's 1983 acquisition of treasury shares approximated 1.3 million shares at a cost of $70.2 million. In 1982 it acquired approximately 2.0 million shares at a cost of $65.8 million. Treasury shares on hand and any additional which may be purchased in 1984 will be held for general corporate purposes including possible future acquisitions.

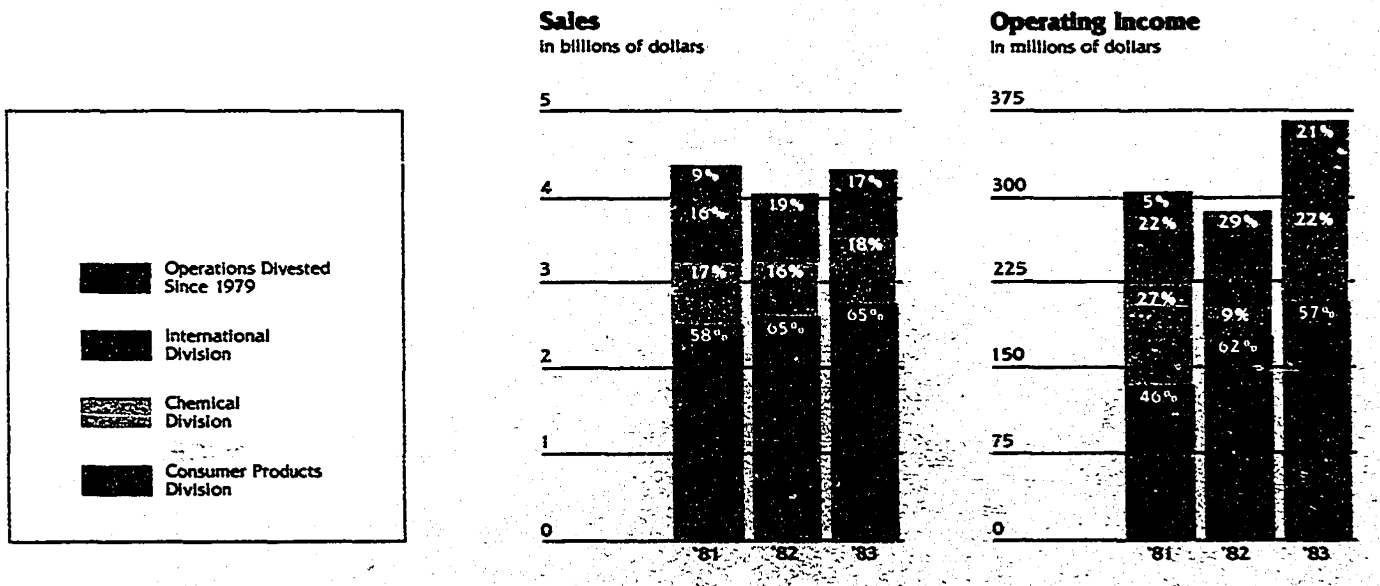
Results of Operations

Each of Borden's operating divisions must deal with intense competition on the local and national level, both in the United States and overseas. Advertising and promotion expenditures were increased to $219.1 million in 1983 from $209.7 million in 1982 and $200.0 million in 1981 in order to preserve and expand Borden's market share.

Raw materials and supplies used in production are purchased from a broad range of sources. Natural gas, the feedstock for Borden's petrochemical complex, is the subject of supply contracts. Borden has contracts for all gas requirements beyond captive sources through 1990.

Research and development expenditures were $19.1 million in 1983, $19.6 million in 1982 and $19.9 million in 1981. The development and marketing of new food and chemical products is carried out at the divisional level and is integrated with quality controls for existing product lines.

Ongoing by Division and Divested



Net sales in 1983 increased 3.7% to $4.265 billion from 1982 sales of $4.111 billion, which was down 6.9% from 1981 sales of $4.415 billion. Net income increased 14.0% to a record $189.1 million from the previous high of $165.9 million in 1982, which was 3.7% higher than the $159.9 million in 1981. In 1983 there was an after-tax gain of $28.7 million, or $1.00 per share (primary), $0.99 per share (fully diluted), primarily from a disputed contract settlement and the sale of property. In 1982 there was a net after-tax gain of $28.0 million, or $0.98 per share (primary), $0.94 per share (fully diluted), from the sale of assets. Primary earnings per share rose 12.9% to $6.56 from $5.81 in 1982, which was 6.6% above the 1981 mark of $5.45. Fully diluted earnings per share increased 15.7% to $6.50 compared to $5.62 in 1982 and $5.20 in 1981. As a result of the conversion of the Company's 6¾% and 5% convertible debentures, the spread narrowed considerably between primary and fully diluted earnings per share.

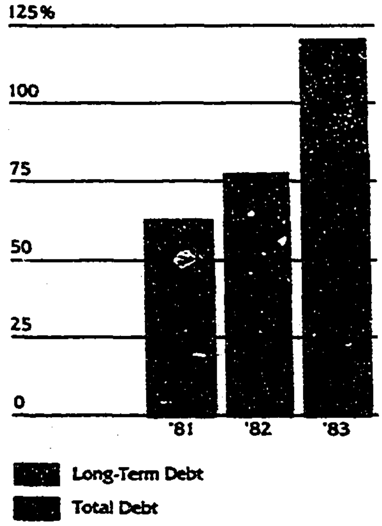
The impact of the significant increase in 1983 divisional operating income to $369.1 million from $292.0 million in 1982 was substantially reduced by a sharply higher effective tax rate. Divisional operating income in 1981 was $306.4 million. The effective income tax rate was 43.2% in 1983, 34.9% in 1982 and 33.2% in 1981. Income taxes in 1983 were $144.0 million versus $89.0 million in 1982 and $79.5 million in 1981. The increase in the effective tax rate for 1983 was due primarily to lower investment tax credits and higher domestic operating income relative to foreign income. The investment tax credit dropped to $9.0 million from $18.0 million in 1982 and $21.0 million in 1981.

The Consumer Products Division's sales increased 4.2% to $2.771 billion from $2.660 billion in 1982. Operating income for the Division rose 15.8% to $210.0 million from $181.3 million. Five of the Division's six groups improved their performance from 1982. The home and professional products and the snacks groups, including recent acquisitions, the grocery products group and the pasta group led the improvement with particularly strong individual product gains by condensed milk, drink mixes, Guy's and Seyfert's snacks, and car care products. The dairy group was adversely affected by an industry-wide surplus of raw milk, induced by high government support payments. The Division's sales declined 4.8% in 1982 versus 1981 primarily as a result of disposals of operations. All of the Division's groups had improved results in 1982 over 1981.

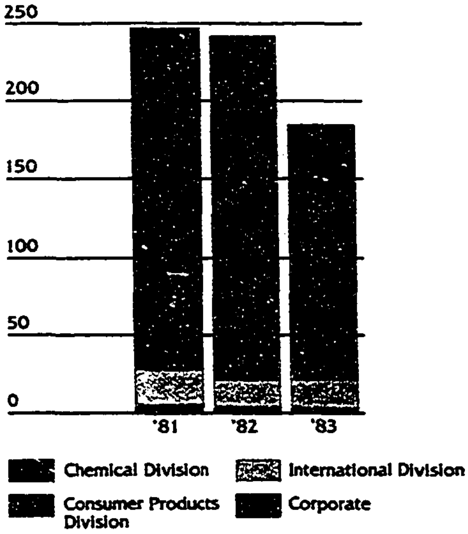
The Chemical Division's 1983 sales increased 13.1% to $768.8 from $679.6 million in 1982, due primarily to the recovery of the housing and auto markets, the two principal outlets for the Division's products. Operating income tripled to $80.3 million from the $26.8 million level the year earlier reflecting strong gains in formaldehyde-based adhesives, PVC resins and vinyl material sales to the housing and automotive industries. Additionally, the Division benefited from improved production relative to higher plant operating rates and generally lower natural gas costs. The Chemical Division's 1982 operating income was down sharply from 1981, reflecting the recession and the scheduled expiration of a low-cost gas contract at the end of 1981.

The International Division's 1983 sales decreased 6.1% to $724.6 from $771.7 million in 1982, due to the rise in value of the dollar. Operating income was down 6.0% to $78.8 million from $83.9 million in 1982 primarily because of the impact of the continued recession, intense price

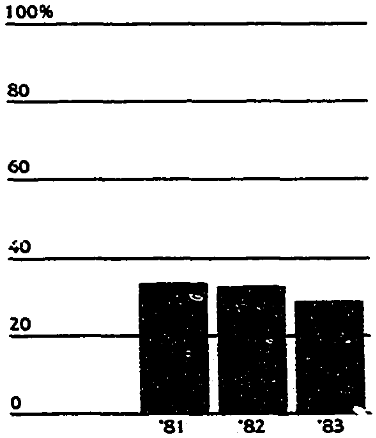
Funds Provided From Operations as a Percent of Long-Term Debt and Total Debt



Capital Expenditures by Division
in millions of dollars



Long-Term Debt as a Percent of Equity



competition and price controls on our chemical operations in Latin America and Europe. This was partially offset by improvements in the Division's milk powder and food operations, especially milk powder. The Division's 1982 results were ahead of 1981, primarily because of European foods and Brazilian and European chemical increases.

Inflation

Inflation experienced worldwide had an impact on the Company's reported earnings, shareholders' equity and other financial information which is not measured by traditional accounting methods. Pages 43 and 44 present certain financial information adjusted for inflation in accordance with Statement of Financial Accounting Standards No. 33, an experimental approach for estimating and evaluating the impact of inflation.

BUSINESS SEGMENTS

Borden, Inc., as discussed on the previous pages, operates in two major industry segments: foods and chemical. Corporate departments provide certain centralized services for the corporation and all operating units. The Company's general offices are located in Columbus, Ohio and its executive offices in New York City. Production facilities are located throughout the United States and in many foreign countries. The Company considers that its operating properties are generally well maintained and effectively utilized.

The foods segment encompasses the following: The food products of the Consumer Products Division, including in its product lines—processed cheese, non-dairy creamer, reconstituted lemon and lime juice, dehydrated potatoes, instant coffee, sweetened condensed milk, snack foods and cakes, confections, powdered soft drinks, jams and jellies, pasta, seafood, homogenized milk, buttermilk, chocolate drink, ice cream and milks, sherbets, yogurt, cottage cheese, frozen novelties, dips, egg nog, sour cream, low-fat dairy products, milk-based products for the industrial trade, and fruit drinks; and the International Division's food products processed in domestic plants but exported outside the United States, and food and dairy products processed in overseas plants. As of December 31, 1983 the Consumer Products Division operated 101 manufacturing and processing facilities, the most significant being the Illinois powdered soft drink operations, the snack group operations in Pennsylvania, Florida, Missouri, South Carolina, Texas, Indiana, Wisconsin, Utah and Ohio, the pasta operations in Minnesota, Louisiana and Arizona, the confectionery operations located principally in Illinois, the bakery operations in New Jersey, the snack and specialty operations in Puerto Rico, and the dairy facilities, all of which are approximately the same size, located principally in the midwest, south, and southwest; and the International Division operated 20 food and dairy manufacturing and processing facilities located principally in Latin America and Western Europe.

Included in the chemical segment are the Chemical Division, the home and professional products group of the Consumer Products Division, and chemical related products of the International Division produced overseas and domestically. This segment is a major producer of basic petrochemicals and thermoplastics including polyvinyl acetate, PVC resins, formaldehyde, methanol, ammonia, urea and acetic acid, most of which are utilized in the segment's downstream production facilities. Those facilities produce synthetic adhesives for the forest products and packaging industries, transparent wrapping film, printing inks, vinyl film for wall coverings and other applications, glue and spray paint, and plastic school and office accessories. As of December 31, 1983 the Chemical Division operated 48 manufacturing and processing facilities, the most significant being the Division's petrochemical complex in Louisiana and the thermoplastics and Resinite operations in Massachusetts and Illinois; the Consumer Products Division operated 3 consumer chemical manufacturing and processing facilities, located principally in the United States and Canada; and the International Division operated 39 chemical manufacturing and processing facilities located principally in Brazil and Western Europe.

Domestic products for the foods segment are marketed primarily through food brokers and distributors, and directly to wholesalers, retail stores, food processors, institutions and governmental agencies. The chemical segment products are sold throughout the United States to industrial users and, in the case of consumer products, by an in-house and independent sales force to distributors, wholesalers, jobbers and dealers. To the extent practicable, international distribution techniques parallel those used in the United States. However, raw materials, production considerations, pricing competition, governmental policy toward industry and foreign investment and other factors vary substantially from country to country for both industry segments.

Segment operating profit as shown on page 30 is total revenue less operating expenses. In computing segment operating profit none of the following items have been deducted from revenue: general corporate expenses, interest expense and federal, state and local income taxes. Minority interests in earnings of certain subsidiaries and the Company's equity in earnings of unconsolidated 20% to 50% owned companies were immaterial and have been included in segment operating profit.

Identifiable assets by segment are those assets that are used in the segments' operations. Corporate assets are principally cash and cash items.

BUSINESS SEGMENTS

	(In thousands) Year ended December 31	1983	1982	1981
Net Sales	Foods	**$2,969,431**	$2,891,294	$2,990,306
	Chemical	**1,295,340**	1,219,983	1,424,868
	Total	**$4,264,771**	$4,111,277	$4,415,174
Operating Profit	Foods	**$ 231,441**	$ 206,336	$ 168,388
	Chemical	**137,661**	85,638	137,987
	Total segments	**369,102**	291,974	306,375
	General Corporate income (expense)	**31,518**	27,886	(1,332)
	Interest expense	**(67,551)**	(65,005)	(65,604)
	Earnings before income taxes	**$ 333,069**	$ 254,855	$ 239,439
Identifiable Assets	Foods	**$1,256,364**	$1,160,372	$1,181,663
	Chemical	**1,324,893**	1,271,167	1,144,128
	Total segments	**2,581,257**	2,431,539	2,325,791
	Corporate assets	**139,214**	158,163	183,025
	Total	**$2,720,471**	$2,589,702	$2,508,816
Depreciation, Depletion, and Amortization	Foods	**$ 44,109**	$ 43,868	$ 46,914
	Chemical	**48,109**	52,639	48,832
Capital Expenditures	Foods	**$ 94,592**	$ 61,074	$ 59,985
	Chemical	**89,701**	178,097	183,819
Foreign Operations	Net sales	**$ 769,644**	$ 790,245	$ 726,780
	Operating profit	**83,813**	84,069	60,073
	Identifiable assets	**497,948**	529,494	561,694

BORDEN, INC.

(All dollar and share figures in thousands—except market price, number of common shareholders, average number of employees, and per share statistics)

Summary of Earnings	**1983**	1982	1981	1980	1979
Net sales	**$4,264,771**	$4,111,277	$4,415,174	$4,595,795	$4,312,533
Income taxes	**144,000**	89,000	79,500	95,300	85,600
Net income	**189,069**	165,855	159,939	147,485	133,706
Percent of net income to sales	**4.4%**	4.0%	3.6%	3.2%	3.1%
Net income per common share and equivalents:					
Primary	**$ 6.56**	$ 5.81	$ 5.45	$ 4.77	$ 4.30
Fully diluted	**6.50**	5.62	5.20	4.56	4.11
Dividends:					
Common share	**$ 2.38½**	$ 2.17¾	$ 2.01¼	$ 1.88	$ 1.79½
Preferred series B share	**1.32**	1.32	1.32	1.32	1.32
Average number of common shares and equivalents assumed outstanding during the year for calculation of:					
Primary earnings per share	**28,819**	28,530	29,367	30,889	31,123
Fully diluted earnings per share	**29,121**	29,717	31,066	32,708	32,971
Financial Statistics					
Capital expenditures	**$ 184,914**	$ 240,104	$ 247,500	$ 196,951	$ 177,723
Inventories	**397,751**	399,272	400,917	506,017	542,073
Property, plant and equipment, net	**1,286,108**	1,214,632	1,093,340	990,321	990,146
Depreciation, depletion and amortization	**95,477**	99,797	99,423	100,322	100,777
Total assets	**2,720,471**	2,589,702	2,508,816	2,649,644	2,468,860
Current assets	**1,138,461**	1,082,315	1,107,653	1,362,782	1,185,926
Current liabilities	**684,593**	604,360	588,559	788,780	615,069
Working capital	**453,868**	477,955	519,094	574,002	570,857
Current ratio	**1.7:1**	1.8:1	1.9:1	1.7:1	1.9:1
Long-term debt	**$ 377,683**	$ 434,876	$ 435,549	$ 490,201	$ 538,613
Long-term debt-to-equity percent	**27%**	32%	33%	40%	46%
Shareholders' equity	**$1,391,039**	$1,341,333	$1,318,755	$1,227,422	$1,177,940
Liquidating value of preferred stock	**(649)**	(710)	(1,065)	(1,138)	(1,575)
Common shareholders' equity	**1,390,390**	1,340,623	1,317,690	1,226,284	1,176,365
Equity per common share at year-end	**49.64**	46.99	44.98	41.32	37.75
Return on average shareholders' equity	**13.8%**	12.6%	12.6%	12.3%	11.9%
Shareholders' Data					
Outstanding shares at year-end:					
Common	**28,008**	28,531	29,298	29,681	31,160
Preferred series B	**22**	25	37	39	55
Market price of common stock:					
At year-end	**$ 56½**	$ 47⅝	$ 28	$ 25¾	$ 23⅞
Range during year	**61-45¼**	52½-26⅞	30-25	27⅞-19⅝	27⅞-23⅞
Number of common shareholders	**45,689**	50,202	55,884	59,562	61,632
Employees' Data					
Payroll	**$ 578,000**	$ 571,600	$ 573,000	$ 584,500	$ 552,000
Average number of employees	**32,600**	33,200	35,200	38,400	39,300

BORDEN, INC.

(In thousands except per share data)		Year Ended December 31 1983	1982	1981
Revenue	Net sales	**$4,264,771**	$4,111,277	$4,415,174
Costs and Expenses	Cost of goods sold	**3,277,535**	3,258,719	3,560,087
	Marketing, general and administrative expenses	**640,749**	592,573	570,396
	Interest expense	**67,551**	65,005	65,604
	Other income, interest income, equity in income of affiliates, and royalties, net	**(54,133)**	(59,875)	(20,352)
	Income taxes	**144,000**	89,000	79,500
		4,075,702	3,945,422	4,255,235
Earnings	Net income	**$ 189,069**	$ 165,855	$ 159,939
Share Data	Net income per share:			
	Primary	**$ 6.56**	$ 5.81	$ 5.45
	Fully diluted	**6.50**	5.62	5.20
	Cash dividends per common share	**2.38½**	2.17¾	2.01¼
	Average number of common shares and equivalents assumed outstanding during the year	**28,819**	28,530	29,367

See Notes to Consolidated Financial Statements

BORDEN, INC.

(In thousands)		Year Ended December 31 1983	1982	1981
Funds Provided From Operations And Retained In The Business	Division operating income	**$ 369,102**	$ 291,974	$ 306,375
	Depreciation, depletion, and amortization	**95,477**	99,797	99,423
	Changes in trade receivables, payables, and inventories	**(24,238)**	(10,727)	(16,799)
	Other, net	**18,536**	(39,630)	(119,966)
		458,877	341,414	269,033
	Income taxes paid	**(52,408)**	(26,232)	(100,066)
	Dividends paid	**(68,680)**	(62,068)	(59,110)
		337,789	253,114	109,857
Funds Provided From Divested Operations	Divestiture of businesses	**3,123**	107,015	144,367
Funds Used In Investment Activities	Capital expenditures	**(184,914)**	(240,104)	(247,500)
	Purchase of businesses	**(22,175)**	(71,271)	(6,852)
		(207,089)	(311,375)	(254,352)
Funds Used In Financing Activities	Acquisition of treasury stock	**(70,217)**	(65,829)	(24,016)
	Stock issued for conversions, stock options and acquisitions	**23,449**	35,969	14,520
	Increase (decrease) in debt payable within one year	**42,406**	32,249	(24,066)
	Long-term debt financing	**26,792**	85,634	8,285
	Reduction in long-term debt	**(85,678)**	(86,821)	(64,543)
	Interest paid, net	**(58,197)**	(50,015)	(43,368)
		(121,445)	(48,813)	(133,188)
	Increase (decrease) in cash (including time and certificates of deposit)	**$ 12,378**	$ (59)	$ (133,316)

See Notes to Consolidated Financial Statements

BORDEN, INC.
(In thousands except share and per share data)

ASSETS		December 31 1983	1982
Current Assets	Cash (including time and certificates of deposit of $75,421 and $68,470, respectively)	**$ 143,174**	$ 130,796
	Accounts receivable (less allowance for doubtful accounts of $10,199 and $10,030, respectively)	**523,019**	489,018
	Inventories:		
	Finished and in process goods	**242,272**	239,430
	Raw materials and supplies	**155,479**	159,842
	Other current assets	**74,517**	63,229
		1,138,461	1,082,315
Investments and Other Assets	Investments in and advances to affiliated companies	**14,551**	12,999
	Miscellaneous investments and receivables	**48,402**	46,819
	Other assets	**36,908**	40,427
		99,861	100,245
Property and Equipment	Land	**49,874**	47,265
	Buildings	**352,045**	331,009
	Machinery and equipment	**1,689,781**	1,593,390
		2,091,700	1,971,664
	Less accumulated depreciation	**(805,592)**	(757,032)
		1,286,108	1,214,632
Intangibles	Intangibles resulting from business acquisitions	**196,041**	192,510
		$2,720,471	$2,589,702

See Notes to Consolidated Financial Statements

LIABILITIES AND SHAREHOLDERS' EQUITY		December 31 1983	1982
Current Liabilities	Debt payable within one year	**$ 166,276**	$ 122,698
	Accounts and drafts payable	**318,254**	301,904
	Income taxes	**43,826**	16,582
	Other current liabilities	**156,237**	163,176
		684,593	604,360
Other	Long-term debt	**377,683**	434,876
	Deferred income taxes	**259,017**	194,520
	Other long-term liabilities	**5,291**	6,678
	Minority interests in consolidated subsidiaries	**2,848**	7,935
		644,839	644,009
Shareholders' Equity	Capital Stock:		
	Preferred stock—no par value		
	Authorized 10,000,000 shares		
	Issued series B convertible—22,481 shares and 24,589 shares, respectively (involuntary liquidating value of $649 or $28.88 per share at December 31, 1983)	**93**	101
	Common stock—$3.75 par value		
	Authorized 60,000,000 shares		
	Issued 33,640,060 and 32,907,493 shares, respectively	**126,150**	123,403
	Paid in capital	**257,033**	236,323
	Accumulated translation adjustment	**(75,264)**	(51,349)
	Retained earnings	**1,281,821**	1,161,432
		1,589,833	1,469,910
	Less common stock in treasury (at cost)— 5,631,929 shares and 4,376,595 shares, respectively	**(198,794)**	(128,577)
		1,391,039	1,341,333
		$2,720,471	$2,589,702

BORDEN, INC.

(In thousands) — **For the Three Years Ended December 31, 1983**

	CAPITAL STOCK ISSUED					
	Preferred Series B	Common	Paid-In Capital	Accumulated Translation Adjustment	Retained Earnings	Treasury Stock
Balance, December 31, 1980	$163	$117,640	$197,172		$ 956,816	$ (44,369)
Net income					159,939	
Cash dividends:						
Common stock					(59,060)	
Preferred series B					(50)	
Stock reacquired for acquisitions and treasury						(24,016)
Treasury stock issued for acquisition of businesses			(29)			5,637
Convertible Debentures and Preferred series B stock converted	(11)	1,085	7,390			
Stock issued for exercised options and Management Incentive Plan		68	380			
Balance, December 31, 1981	152	118,793	204,913		1,057,645	(62,748)
Net income					165,855	
Cash dividends:						
Common stock					(62,024)	
Preferred series B					(44)	
Accumulated translation adjustment:						
As of January 1, 1982				$(25,329)		
Translation adjustment for the period				(26,020)		
Stock reacquired for acquisitions and treasury						(65,829)
Convertible Debentures and Preferred series B stock converted	(51)	3,596	24,967			
Stock issued for exercised options and Management Incentive Plan		1,014	6,443			
Balance, December 31, 1982	101	123,403	236,323	(51,349)	1,161,432	(128,577)
Net income					189,069	
Cash dividends:						
Common stock					(68,649)	
Preferred series B					(31)	
Translation adjustment for the period				(23,915)		
Stock reacquired for acquisitions and treasury						(70,217)
Convertible Debentures and Preferred series B stock converted	(8)	2,157	14,957			
Stock issued for exercised options and Management Incentive Plan		590	5,753			
Balance, December 31, 1983	**$ 93**	**$126,150**	**$257,033**	**$(75,26[illegible])**	**$1,281,821**	**$(198,794)**

See Notes to Consolidated Financial Statements

(In thousands except share and per share data)

1. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company, as summarized below, are in conformity with generally accepted accounting principles.

Principles of Consolidation—The consolidated financial statements include the accounts of Borden, Inc. and its subsidiaries, after elimination of material intercompany accounts and transactions. The Company's proportionate share of the net earnings of unconsolidated 20% to 50% owned companies is included in income. The carrying value of these companies approximates Borden's interest in their underlying net assets. Investments of less than 20% ownership are carried at cost.

Inventories—Inventories are stated at the lower of cost or market. Cost is determined generally using the average cost and first-in, first-out methods.

Property and Equipment—Land, buildings and machinery and equipment are carried at cost.

Depreciation is recorded on the straight-line basis by charges to costs and expenses at rates based on the estimated useful lives of the properties (average rates for buildings—3%; machinery and equipment—6%).

Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Gains or losses from retirements and disposals are included in income except for normal disposals subject to composite depreciation.

Gas and oil program expenditures are accounted for according to the "full cost" method whereby the cost of acquisition, exploration and development of gas and oil properties are capitalized.

Depletion of gas and oil properties is computed using the unit-of-production method based upon the estimated proved reserves underlying all gas and oil properties.

Intangibles—The excess of purchase price over net tangible assets of businesses acquired is carried as intangibles in the Consolidated Balance Sheets. It is the Company's policy to carry intangibles arising prior to November, 1970 at cost until such time as there may be evidence of diminution in value or the term of existence of such value becomes limited. Intangibles arising after October, 1970 are being amortized on a straight-line basis generally over a forty-year period.

Income Taxes—The provision for income taxes includes federal, foreign, state and local income taxes currently payable and those deferred because of timing differences between income for financial statements and income for tax purposes. Investment tax credits are recorded as a reduction of current income tax expense in the years realized. A substantial portion of the undistributed earnings and accumulated translation of subsidiaries, primarily outside the United States, have been reinvested and are not expected to be remitted to the parent company. Accordingly, no additional federal income taxes have been provided and at December 31, 1983, the cumulative amount thereof was approximately $200,000.

Pension and Retirement Savings Plans—Substantially all of the Company's employees in the United States and Canada are covered under one of the Company's pension plans or one of the union-sponsored plans to which the Company contributes. Pension expenses for the Company's plans, determined for domestic employees in accordance with the funding requirements of the Employee Retirement Income Security Act of 1974, comprise current service costs and amortization of prior service costs, effectively, over a thirty year period. It is the Company's policy to fund pension costs accrued for qualified plans. In addition, substantially all salaried employees in the United States participate in the Company's retirement savings plan. Contributions to the plan are at the discretion of the Company's employees with a portion of the contribution matched by the Company.

Earnings Per Share—Primary earnings per share are computed based on the weighted average number of shares of Common Stock and Equivalents (Convertible Preferred Stock and Stock Options) assumed outstanding during the year of computation.

Fully diluted earnings per share are computed based on the weighted average number of shares of Common Stock and Equivalents assumed outstanding during the year, as if the Convertible Debentures (none outstanding subsequent to August 1983) had been converted at the beginning of the period and after giving effect to the elimination of interest expense, less income tax effect, applicable to the Convertible Debentures.

2. Foreign Affiliates

The financial statements of foreign entities have been translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 52. The principal policies are that assets and liabilities are generally translated at current exchange rates and related translation adjustments are reported as a component of shareholders' equity. For entities in highly inflationary countries a combination of current and historical rates, similar to that previously required by Statement of Financial Accounting Standards No. 8, are used in translating assets and liabilities. Related exchange adjustments are included in net income.

After translation into U.S. dollars, the Company's proportionate share of net assets of foreign affiliates included in the consolidated financial statements was $240,000 at December 31, 1983 and $270,000 at December 31, 1982.

Realized and unrealized net foreign exchange losses aggregating $12,800, $12,500, and $17,300 were charged against net income in 1983, 1982, and 1981, respectively.

3. Earnings Per Share

The average number of Common Shares and Equivalents entering into the calculation of primary and fully diluted earnings per share are as follows:

	1983	1982	1981
Common Shares	28,737,206	28,462,973	29,311,069
Convertible Preferred Series B	25,522	36,032	40,556
Stock options	55,869	31,198	15,201
Total for primary calculation	28,818,597	28,530,203	29,366,826
Convertible Debentures:			
6¾%	157,151	600,945	923,516
5%	141,317	555,560	775,125
Stock options	4,131	29,835	639
Total for fully diluted calculation	29,121,196	29,716,543	31,066,106

4. Debt, Lease Obligations and Commitments

Debt outstanding at December 31, 1983 and 1982 is as follows:

	1983		1982	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
Sinking Fund Debentures:				
4⅜% due 1991	$ 14,000	$ 2,000	$ 16,000	$ 3,975
5¾% due 1997	48,750	3,750	52,500	3,750
8½% due 2004	100,000		100,000	
9⅜% due 2009	150,000		150,000	
Debentures repurchased	(56,167)	(3,761)	(31,250)	(3,823)
Other borrow[illegible] (at an average rate of 12.7% and 12.1%, respectively)	121,100	11,171	130,203	25,365
Convertible Debentures:				
6¾% due 1991			10,043	
5% due 1992			7,380	
Current Maturities of Long-Term Debt		13,160		29,267
Short-Term Debt:				
Commercial paper (at an average rate of 10.0%)		100,600		
Other (primarily Foreign Bank Loans at an average rate of 32.7% and 29.1%, respectively)		52,516		93,431
Total Debt	$377,683	$166,276	$434,876	$122,698

During 1983, the Convertible Debentures (Eurodollar obligations) were called for redemption. The 6¾% and 5% Convertible Debentures were converted into approximately 343,000 and 230,000 shares of Common Stock of Borden, Inc. at $28.75 and $31.50 a share, respectively, prior to the redemption dates.

Aggregate maturities of long-term debt and minimum annual rentals under agreements classified and accounted for as operating leases at December 31, 1983 are as follows:

	Long-Term Debt*	Minimum Rentals on Operating Leases
1984	$ 13,160	$17,001
1985	18,895	14,557
1986	9,616	9,454
1987	9,869	7,172
1988	36,210	6,373
1989 and beyond**	303,093	15,863

*Net of debentures repurchased.
**Figures represent combined totals for all years.

The average amount of commercial paper outstanding was $26,400 during 1983 and $39,700 during 1982, and the average amount of other short-term debt, primarily Foreign Bank Loans, was $69,600 during 1983 and $74,200 during 1982. The respective weighted average interest rates for commercial paper and other short-term debt were 9.3% and 36.7% during 1983, and 11.7% and 31.8% during 1982. Maximum month-end borrowings were $100,600 in 1983 and $57,000 in 1982 for commercial paper, and $80,100 in 1983 and $94,200 in 1982 for other short-term debt. Commercial paper was issued and redeemed on the open market in the United States through a money market dealer.

The Company has credit agreements of $300,000 which bear interest, if used, at approximately the prime rate and require a commitment fee on any unused credit. Under most of these agreements the Company can execute term loans for up to two years. The agreements are available to support domestic commercial paper borrowing at commercial paper rates. Additional unused credit facilities totalling $55,300 at December 31, 1983 were available for use by foreign subsidiaries. Pursuant to these arrangements, the Company has agreed to maintain minimum cash balances aggregating approximately $6,500 with various commercial banks. These requirements are satisfied by balances maintained for normal business needs.

The Company has capitalized interest related to the capital cost of acquiring certain fixed assets. The interest costs incurred and the amounts capitalized were $78,396 and $10,845 in 1983, $75,469 and $10,464 in 1982, and $73,150 and $7,546 in 1981.

5. Income Taxes

Comparative analyses of the provisions for income taxes follows:

	1983	1982	1981
Current			
Federal	$ 56,900	$12,500	$(14,900)
State and Local	7,650	8,400	5,400
Foreign	16,750	17,000	15,100
	81,300	37,900	5,600
Deferred			
Federal	46,800	44,400	62,700
State and Local	11,400	5,800	9,600
Foreign	4,500	900	1,600
	62,700	51,100	73,900
	$144,000	$89,000	$ 79,500

The current Federal tax provision in 1981 reflects the benefit of a $17,000 investment tax credit refund and includes $43,300 of tax benefits available from 1980. Such tax deductions relate to the 1980 redeployment program and a 1980 gas transaction.

The deferred Federal tax provisions in 1983, 1982 and 1981 reflect accelerated write-offs of property and equipment costs, the Federal tax effects of which were $44,100, $30,200 and $28,100, respectively.

Reconciliations of the difference between the Federal statutory tax rates and consolidated effective book income tax rates are as follows:

	1983	1982	1981
Federal statutory tax rate	46.0%	46.0%	46.0%
State tax provision, net of Federal benefit	3.1	3.0	3.4
Investment and energy tax credits	(2.7)	(7.2)	(8.7)
Foreign tax benefits	(1.1)	(3.9)	(1.6)
Capital gain benefits	(1.4)	(2.2)	(4.4)
Other—net	(0.7)	(0.8)	(1.5)
Effective book income tax rate	43.2%	34.9%	33.2%

The domestic and foreign components of income before income tax expense are as follows:

	1983	1982	1981
Domestic	$282,006	$207,540	$206,743
Foreign	51,063	47,315	32,696
	$333,069	$254,855	$239,439

Foreign income before income taxes differs from division operating income as shown on page 26 of this report because the International Division's operating income includes export and excludes Canadian operations and because operating income has not been reduced for interest expense.

6. Operations by Industry Segment

Information about the Company's industry segments and geographic areas of operation is provided on pages 29 and 30 of this Annual Report and is an integral part of the financial statements.

7. Pension and Retirement Savings Plans

The charges to operations under the Company's United States and Canadian pension plans were $11,600 in 1983, $16,300 in 1982, and $15,400 in 1981. Company contributions charged to operations under the retirement savings plan in 1983, 1982 and 1981 amounted to approximately $4,700, $2,900 and $2,900, respectively.

Effective January 1, 1983, the Company's pension plans were amended to change the salaried benefit formula to career average pay basis for credited service after 1987. The final average pay basis will still apply for credited service prior to 1988. Also effective January 1, 1983, the retirement savings plan was amended to increase the Company's matching contribution to 55¢ from 40¢ for every dollar of eligible contributions by employees.

The following information is presented for the pension plans:

	January 1	
	1983	1982
Actuarial present value of accumulated plan benefits:		
Vested	$248,381	$230,735
Non vested	10,339	9,777
Total	$258,720	$240,512
Net assets available for benefits at estimated fair value	$290,338	$241,925
Assumed rate of return on plan assets	8¼%	8¼%

Operations were charged approximately $7,300 in 1983, $6,000 in 1982 and $5,300 in 1981 primarily for payments to pension trusts on behalf of employees not covered by the Company's plans. Most domestic employees not covered by the Company's plans are covered by collectively bargained plans. The Company's collective bargaining agreements are generally effective for periods from one to three years. Under federal pension law there would be continuing liability to these pension trusts if the Company ceased all or most participation in any such Trust, and under certain other specified conditions. The annual payment of such continuing liability would not normally exceed the annual amount currently being paid to such Trust. The amount of such liability would be determined should the Company withdraw from participation.

8. Shareholders' Equity

Each of the 22,481 shares of Preferred Stock—Series B bears an annual cumulative dividend of $1.32, is convertible into 1.1 common shares and is redeemable at the Company's option at $39. At December 31, 1983, 24,729 common shares were reserved for conversion of Preferred Stock—Series B.

Following is the information for common shares reserved for stock options:

	Common Shares Reserved For Stock Options	
	Shares	Price Range
January 1, 1983	521,597	$19.44-32.75
Grants	154,900	49.31
Exercises	(204,745)	19.44-49.31
Expirations or cancellations	(4,844)	23.00-49.31
December 31, 1983	466,908	19.44-49.31

Included with the shares reserved for unexercised options at December 31, 1983 are 217,233 options with stock appreciation rights attached, which permit the holder the election in lieu of exercising the option, of receiving cash, shares, or a combination of cash and shares. During 1983, 65,020 stock appreciation rights were exercised with the holders receiving cash and stock.

At December 31, 1982 there were 196,161 shares available for future grants. During 1983, 154,900 options were granted. The authority to grant the remaining shares as options expired in April 1983.

9. Supplemental Income Statement Information

Set forth below is a comparative summary of certain expense items:

	1983	1982	1981
Maintenance and repairs	$104,732	$102,112	$105,388
Depreciation, depletion and amortization	95,477	99,797	99,423
Advertising and promotion, including promotions of $161,270, $150,916 and $136,526, respectively	219,110	209,653	200,015
Research and development	19,116	19,567	19,921
Rent	29,224	26,255	29,789

10. Quarterly Financial Data (Unaudited)

	1983 Quarters			
	First	Second	Third	Fourth
Net Sales	$937,327	$1,084,036	$1,074,500	$1,168,908
Gross Profit	198,781	250,188	244,589	293,678
Net Income	39,644	45,677	51,294	52,454
Per Share of Common Stock:				
Earnings				
Primary	1.38	1.59	1.76	1.83
Fully Diluted	1.36	1.56	1.75	1.83
Dividends*	.555	.61	.61	.61
Market Price Range:				
Low	45¼	51½	52⅛	52½
High	56¾	60⅝	61	59⅞

*Dividends on Preferred Stock—Series B were $.33 in each quarter during 1983.

	1982 Quarters			
	First	Second	Third	Fourth
Net Sales	$928,269	$1,038,956	$1,058,060	$1,085,992
Gross Profit	168,558	205,161	236,602	242,237
Net Income	34,783	42,381	45,972	42,719
Per Share of Common Stock:				
Earnings				
Primary	1.20	1.49	1.62	1.50
Fully Diluted	1.15	1.43	1.57	1.47
Dividends*	.5125	.555	.555	.555
Market Price Range:				
Low	26⅞	31⅞	29½	36¼
High	32⅞	34⅜	38⅞	52½

*Dividends on Preferred Stock—Series B were $.33 in each quarter during 1982.

11. Supplemental Information for Changes in Financial Position

The Consolidated Statements of Changes in Financial Position on page 33 have been prepared on a cash rather than a working capital basis. The Company believes that presenting information reflecting the flow of funds on a cash basis is a more desirable method than similar information presented on a working capital basis and provides the most useful portrayal of the financing and investing activities and the changes in financial position of the Company.

The following analyzes the increases (decreases) in the components of working capital and certain elements of the Statements:

	Year Ended December 31		
	1983	1982	1981
Cash (including time and certificates of deposit)	$ 12,378	$ (59)	$(133,316)
Accounts receivable	34,001	2,567	(13,096)
Inventories	(1,521)	(1,645)	(105,100)
Other current assets	11,288	(26,201)	(3,617)
Debt payable within one year	(43,578)	(32,249)	24,171
Accounts and drafts payable	(16,350)	1,814	42,713
Income taxes	(27,244)	2,434	60,301
Other current liabilities	6,939	12,200	73,036
Decrease in working capital	$(24,087)	$(41,139)	$ (54,908)

Division operating income as shown in the Statements less other income and expenses not allocable to divisions and income taxes appearing on page 26 constitutes the net income of the Company. Other, net in 1981 includes the effects of a gas transaction.

Major divestitures were: for 1982, three Pepsi-Cola bottling franchises, Jean Patou, Inc., and a minority interest in a plant in Louisiana; and for 1981, the Smith-Douglass retail fertilizer business, the packaging of natural cheeses for retail sale and the Alex Colman women's fashion line.

Major acquisitions during 1983 include Geiser's Potato Chips and Clover Club Foods, snack foods companies, and the minority interest in common stock of Industrias La Famosa. Acquisitions in 1982 included the Du Pont line of car care products, Seyfert Foods, a snack foods company, Uniroyal Inc.'s share of the production facilities of Monochem Inc., and Sterling Plastics, a supplier of school and office supplies. National Food Products, a pasta operation, was acquired in 1981.

BORDEN INC
277 PARK AVENUE • NEW YORK, N Y. 10172

The management of Borden, Inc. is responsible for the preparation and the integrity of all information included in this report. The financial statements which necessarily include amounts based upon the judgments of management, have been prepared in accordance with generally accepted accounting principles appropriate in the circumstances and consistently applied.

The Company, in order to meet its responsibilities, has established and supports internal accounting control systems which are designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorizations and that those transactions are properly recorded to permit the preparation of financial statements in accordance with generally accepted accounting principles. The Company's internal accounting control system is regularly reviewed for effectiveness, monitored by an internal audit department and implemented by well trained and qualified personnel. In addition, the Company has distributed to all key employees its policies for conducting business affairs lawfully and in an ethical manner.

Management recognizes that no internal accounting control system that properly weighs benefits against costs will preclude absolutely all errors and irregularities. It believes, however, that the Company's internal accounting control system provides reasonable assurance that any material errors and irregularities are prevented or would be detected and corrected within a timely period by employees in the normal course of performing their assigned duties.

The Board of Directors, through its Audit Committee consisting of non-employee directors, meets periodically with management, the Company's internal auditors and its independent accountants to discuss audit and financial reporting matters. Both the independent accountants and the Company's internal auditors have free access to the Audit Committee and Board of Directors, without management present, to discuss internal accounting control, auditing, and financial reporting matters.

Eugene J. Sullivan
Chairman and
Chief Executive Officer

Lawrence O. Doza
Vice President and
General Controller

Price Waterhouse

180 EAST BROAD STREET, COLUMBUS, OHIO 43215 614 221-8500

January 31, 1984

Board of Directors and
Shareholders of Borden, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and changes in financial position present fairly the financial position of Borden, Inc. and its subsidiaries at December 31, 1983 and 1982, the results of their operations and the changes in financial position for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

(Unaudited)

Introduction

In recent years inflation has been a significant factor in economic life. Generally, the Company has been able to compensate for inflation induced cost increases by increasing sales prices in an amount sufficient to maintain an adequate gross profit percentage. Customary financial statements have been stated at historical or actual costs and have not attempted to disclose the effect of inflation. In an effort to produce financial information that discloses the effects of inflation the Financial Accounting Standards Board (FASB) issued Statement No. 33, Financial Reporting and Changing Prices, requiring companies to explain the effect of inflationary factors on operations using the current cost method.

The current cost method adjusts certain elements of the basic historical financial statements for price changes of specific assets. Current cost identifies certain assets or expenses with the use or sale of products in terms of what their current costs would have been when they were used or sold rather than what their historical cost actually was. Generally, Borden's inventories, plants, and equipment would cost more to replace than when they were originally acquired. This concept is specifically applied to each business's methods of operation, products, and types and locations of assets, but it unrealistically assumes that the same types of property, plant, and equipment would be purchased.

This method of reporting inflationary effects requires the use of assumptions, approximations and estimates. Inflation adjustments will vary among companies because of different effects of inflation as well as different methods of accounting used in the historical financial statements. This inflation adjusted data is, therefore, not a precise indicator of inflationary effects primarily because the method utilized does not necessarily provide actual amounts for which assets could be sold, cost which would be incurred in the future, or the manner in which actual replacement of assets would occur.

Supplementary information on the current cost basis is shown below:

Statement of Income from Continuing Operations Adjusted for Changing Prices

(in thousands except per share data)

	Year Ended December 31, 1983	
	As Reported in the Primary Statements	Adjusted for Changes in Specific Prices (Current Costs)
Net sales	$4,264,771	$4,264,771
Cost of goods sold (excluding related depreciation expense)	3,197,758	3,207,924
Other operating expenses (excluding related depreciation expense)	570,916	570,916
Depreciation expense	95,477	151,008
Interest expense	67,551	67,551
Earnings before income taxes	333,069	267,372
Income taxes	144,000	144,000
Net Income	$ 189,069	$ 123,372
Gain on net monetary items		17,603
Earnings, net of inflationary effects		$ 140,975
Increase in current cost of inventories and property and equipment excluding translation adjustment*		$ 135,514
Less effect of increase in general price level before translation adjustment		80,816
Excess of increase in specific prices over increase in the general price level		$ 54,698
Net income per common share	$ 6.56	$ 4.28
Gain on net monetary items		.61
Earnings, net of inflationary effects		$ 4.89
Effective tax rate	43.2%	53.9%

*At December 31, 1983 the current cost of inventory was $409,313 and the current cost of net property and equipment was $2,149,050.

Discussion and Analysis of Supplemental Financial Data

Net income derived under the current cost method has been adjusted only for depreciation expense and product costs related to restated property and equipment and inventories. The increased depreciation expense under this method is a result of the adjustment required to reflect the impact of inflation on assets which have relatively long lives. The increased values of current cost of goods sold over historic cost of goods sold is a result, primarily, of the increasing costs of raw materials and labor. Sales and all other costs and expenses remain unchanged from the primary statements since they are considered to occur relatively evenly throughout the year. In accordance with the FASB statement, income tax expense has not been restated in the inflation-adjusted earnings statement despite the significant reduction in pre-tax earnings. If the higher depreciation and other costs had actually been incurred, the Company would have reported added tax deductions and tax credits, such as investment tax credits, which would significantly increase inflation-adjusted net income.

Current cost amounts were determined by adjusting inventories and cost of goods sold to year-end and time of sale market values of raw materials and current production costs using average and standard costing, and indexing methods. Property and equipment was adjusted to current cost primarily by applying indices developed both internally and externally. Depreciation was calculated using the same methods and depreciable life assumptions as those used in the primary financial statements.

The gain from decline in the purchasing power of net amounts owed was determined by calculating the net monetary assets and liabilities at the beginning and end of the year, stating these amounts in average 1983 dollars and deriving the change therefrom. Monetary assets and liabilities are cash, and claims on, or liabilities for, cash receipts or payments, the amounts of which are fixed in terms of the number of dollars to be received or paid. The net monetary gain shown in the preceding supplemental statement results from Borden's net monetary liability position which will be repaid with dollars which have lost purchasing power relative to the point when the liabilities were incurred.

The data presented in the five-year summary has been adjusted for the effects of specific price changes in the same manner as for 1983 information. All amounts in the summary are stated in estimated average-for-the-year 1983 dollars as measured by the Consumer Price Index for All Urban Consumers. As is apparent in comparing data from the primary statements to the same data on the current cost basis, real growth results only when the nominal rate of growth exceeds the rate of inflation.

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

(In thousands, except per share and average consumer price index)

	1983	1982	1981	1980	1979
Net sales	$4,264,771	$4,240,598	$4,836,594	$5,556,666	$5,919,319
Current Cost Information:					
Net income	123,372	91,811	59,518	42,024	69,316
Net income per common share	4.28	3.22	2.02	1.36	2.23
Net assets	2,226,179	2,303,286	2,452,350	2,570,472	2,837,568
Foreign currency translation adjustment	(108,759)	(90,904)	—	—	—
Excess of increase in specific prices over the increase in the general price level	54,698	45,224	51,242	89,131	78,028
Other Information					
Purchasing power gain on net monetary items	17,603	22,557	49,580	89,195	102,000
Cash dividends per common share	2.38½	2.25	2.21	2.27	2.46
Market price per common share	55½	48⅜	29⅝	29¾	31
Average consumer price index	298.4	289.3	272.4	246.8	217.4

Borden, Inc.
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The Annual Meeting will be held on Friday, April 13, 1984, beginning at 11:00 a.m. in the Hunterdon Theatre, Church Street and Route 31, Flemington, New Jersey.

Price Waterhouse
180 East Broad Street
Columbus, Ohio 43215

The Bank of New York
90 Washington Street
New York, New York 10015

4⅜% Sinking Fund Debentures
The Chase Manhattan Bank, N.A.
New York, New York 10081

5¾% Sinking Fund Debentures
Morgan Guaranty Trust Company of New York
New York, New York 10015

8½% Sinking Fund Debentures
Bank of America, N.T. & S.A.
San Francisco, California 94137

9⅜% Sinking Fund Debentures
The Bank of New York
New York, New York 10015

Common Stock (Ticker Symbol-BN)
New York Stock Exchange
The Common Stock is currently listed on exchanges in Basel, Geneva, Lausanne and Zurich, Switzerland.

New York Stock Exchange
4⅜% Sinking Fund Debentures, due 1991
5¾% Sinking Fund Debentures, due 1997
8½% Sinking Fund Debentures, due 2004
9⅜% Sinking Fund Debentures, due 2009

April 24, 1899-New Jersey

Borden, Inc. will furnish to any shareholder, without charge, a copy of its most recent annual report on Form 10-K, as filed with the United States Securities and Exchange Commission.

Borden, Inc.
Attn. Mr. R. G. Tritsch
Secretary
277 Park Avenue
New York, New York 10172

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